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S. HRG. 101-27

NOMINATION OF CLAYTON YEUTTER

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

ON

THE NOMINATION OF CLAYTON YEUTTER, OF NEBRASKA, TO BE SECRETARY OF AGRICULTURE

FEBRUARY 2, 1989

Printed for the use of the
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NOMINATION OF CLAYTON YEUTTER, OF NEBRASKA, TO BE SECRETARY OF AGRICULTURE

THURSDAY, FEBRUARY 2, 1989

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, DC.

The committee met, pursuant to notice, at 9:40 a.m., in room SD-419, Dirksen Senate Office Building, Hon. Patrick J. Leahy (Chairman of the committee) presiding.

Present or submitting a statement: Senators Leahy, Pryor, Boren, Heflin, Harkin, Conrad, Fowler, Daschle, Baucus, Kerrey, Lugar, Dole, Helms, Cochran, Boschwitz, McConnell, Bond, Wilson, and Gorton.

STATEMENT OF HON. PATRICK J. LEAHY, A U.S. SENATOR FROM VERMONT

The CHAIRMAN. Good morning. The Secretary-designate is not here, but I am sure that having filled out all the forms, he still wants the job and will come. And so, with that as a possibility, we will go ahead and begin the hearing. And when he arrives we—I am told it is true he does want the job. He is here.

If that is the case, we will probably go through the exercise one more time of getting him in because I will have an opening statement and Senator Lugar, I know, will. And then we will have introductions by Senators Exon and Kerrey and Congresswoman Smith from Nebraska. So if we can just hold for about 2 minutes we will go get the Secretary-designate.

[Short recess.]

The CHAIRMAN. Once more, same program, new players.

Today we are here to consider the nomination by President Bush of the Honorable Clayton Yeutter to the position of Secretary of Agriculture of the United States. Welcome, Ambassador Yeutter. We are delighted to have you here.

You are known to us as a friend, and I want to express my congratulations and my pleasure at your nomination.

As I told you when the President nominated you—in fact I said the same thing to President Bush—I was not sure whether to congratulate you or offer condolences. And I am sure at different times of the days, as the weeks and months go on, you will sit there wondering whether it should be congratulations or condolences.

I am delighted to see Mrs. Yeutter here today, another long-time friend, and we are very happy to have you here.

Ambassador, we have worked closely together in recent years, and you have certainly earned my respect in that regard.

Since we are familiar with your views on a number of issues, I am going to focus on some of the areas where your ideas are less well known.

We will want to hear today how you will implement President Bush's commitment to a kinder nation and a gentler world and how you will lead the agricultural community—and the very good people of the Agriculture Department—to realize it.

President Bush indicated when he announced your nomination that he would not balance the Federal budget on the backs of America's farmers. That is an important commitment. We have seen 270,000 farmers leave the land permanently in just the past 8 years. We have to stem that tide, and assure that we retain a viable, productive farm community in this Nation.

Your job, Mr. Yeutter, will be to preserve American farming, to help reduce the deficit and, at the same time, to retain our tough bargaining position with our trading partners. Just laying out those issues makes it very obvious it is not going to be an easy job.

We are going to have to work together in the executive branch and the Congress to craft long-lasting, flexible programs—for all agricultural commodities—to retain our farms and restore the confidence of our farmers in their Government.

It is going to take the best of a bipartisan effort, and the best of an effort between the Congress and the executive branch.

In addition to our commodity programs and the many systems that sustain our agricultural sector as the most productive in the world, you also have some other significant responsibilities.

Providing nutritious foods to children and the elderly on a regular, reliable basis through school lunches and breakfast; the Women, Infants and Children, or WIC Program; food stamps; these are all important public policies. We will expect you to see that these programs operate well to serve those they are designed to reach. Hunger is a moral issue. Hunger goes beyond being a political and economic issue. In our country, it is a moral issue. In the richest and most powerful nation on earth no one—no child, no adult, no senior—should be hungry or malnourished in the United States. And we fail as a nation when they are.

Rural development—improving the rural economy, providing jobs, health care, housing and opportunity for nonfarm rural Americans—is an issue too long ignored. It is extremely important to me, and I am committed to working for passage of legislation this year in rural development. I hope you will join that effort enthusiastically.

The Department you will shortly lead has a central, critical role to play on environmental issues. This committee is deeply concerned about the potential adverse effects of global warming and climate change. The impact of agricultural practices on groundwater will be a major issue of the 1990's. The Department must redouble its efforts to use the myriad of programs available to it to make groundwater safer for the 95 percent of rural Americans who depend on it for their water supplies.

The Department of Agriculture is not only responsible for overseeing the production of food and fiber. Our forests produce timber, provide wildlife habitats, protect unique ecosystems through the National Wilderness Preservation System and give scores of Americans recreational spaces to enjoy. I know they certainly do in my State and they do in most other States. The prevention of soil erosion, the Department's conservation programs, will be critical to the sustainability of agriculture in the coming decade. And a Conservation Reserve Program is central to that effort.

In closing, Mr. Ambassador, I want to turn to a couple of procedural issues. We will expect you to cooperate with the Congress—and certainly your past public career indicates that is not going to be a problem—to be forthcoming with the information and the assistance we seek. You should actively encourage the men and women of the Department to do likewise—you have some great talent at the Department of Agriculture. I have indicated to you privately of a case where a Department employee was penalized because he was forthcoming with one of our subcommittees. You have to really work to see that kind of thing should not happen during your tenure. You know, we rely on the expertise in the Department. It is good. It is solid.

The vast majority of the employees of our Government and all the branches and of the Agriculture Department are competent, dedicated and loyal, and they deserve your trust and your support.

So I want to extend a hearty welcome to you today. I look forward to working with you as we move forward to improve our Government's performance of all its responsibilities in agriculture, nutrition, and forestry.

Incidentally, I thought if I might, Dick, just before I yield to you, I wonder, Mr. Ambassador, if you want to just introduce your family. I notice that they are all here now.

Ambassador YEUTTER. Certainly, Mr. Chairman. Thank you very much. The lady in green is my wife Jeanne. As you indicated, Mr. Chairman, next to her is our daughter Kim, who has just finished a double master's degree program and is about to get married to the young gentleman sitting right beside her, John Bottimore. John was a naval officer on one of our nuclear submarines for 5 years, then got his MBA and is now working for Honeywell.

If all goes well, Kim and John hope to work for an American company or companies in Tokyo so that Kim can polish her Japanese language skills over the next 3 or 4 years.

The CHAIRMAN. I want you to notice and the Chair will notice for you, Kim and John, that your father and father-in-law to be is not the least bit proud to have you here. I yield to Senator Lugar.

STATEMENT OF HON. RICHARD G. LUGAR, A U.S. SENATOR FROM INDIANA

Senator LUGAR. Thank you, Mr. Chairman. I wish a good morning to you and members of the committee and our distinguished nominee and his family. I am honored to be here this morning to welcome the next Secretary of Agriculture.

I know that the Members of the congressional delegation from Nebraska, who surround you, are planning to give you a warm in-

troduction, and I will not preempt that. But I would point out for the record that in my opinion it would be difficult to find a candidate for this position more qualified and more dedicated to American agriculture.

When I think of some of the significant issues that we will be surely taking up in the committee during the next 2 years, GATT and other trade issues, reauthorization of commodity stabilization programs, and the farm bill, potential reauthorization of the Commodity Futures Trading Commission, agricultural research, and groundwater contamination; these are a few examples and surely even during this hearing, we will want to discuss your perceptions of the drought problems not only of last year but prospectively as we take a look at the weather conditions and our soil for the coming year and the agriculture development program the chairman has mentioned, too, the human dilemmas of agriculture.

We look forward to your views on all of these situations.

In the area of trade you have served as the United States Trade Representative since 1985, and before that you have had experience as the Deputy Trade Representative and Assistant Secretary of Agriculture for International Affairs and Commodity Programs.

You have supported agriculture during your most recent tenure as Trade Representative. That support has been strong and unbending and for that we are grateful on this committee. You are a farmer with extensive experience in running a 2,500-acre operation, and through that experience and by serving as Assistant Secretary responsible for commodity programs and as an attorney with an agriculturally related practice, you are intimately familiar with the commodity programs and the other complex agricultural policies of our Government.

You have served as president and chief executive officer of the Chicago Mercantile Exchange, the second largest futures trading exchange. You have taught for several years at a land-grant university, namely the University of Nebraska, focusing on agricultural research and extension.

These experiences will stand you in good stead. Clayton Yeutter will work closely and harmoniously, I am certain, Mr. Chairman, with all members of this committee. I congratulate the President on this nomination. I look forward to the opening statement of the nominee and to his answers to questions propounded by our committee members. I thank you, Mr. Chairman.

[The prepared statement of Senator Lugar follows:]

STATEMENT OF THE HONORABLE RICHARD G. LUGAR,
A U.S. SENATOR FROM INDIANA

Mr. President, I rise in support of the immediate consideration and approval by the Senate of the nomination of Clayton K. Yeutter to be the next Secretary of Agriculture.

Clayton Yeutter's credentials for this position are impressive to say the least. I will elaborate on this point in a moment. I ask unanimous consent that a brief summary of Ambassador Yeutter's experience be printed in the Record at the end of my statement.

Clayton Yeutter's nomination enjoys widespread support across the breadth of our diverse American agricultural industries and he is known as a person with the highest personal integrity. In my opinion it is unlikely that President Bush could find a candidate for this position who is more qualified and more dedicated to American agriculture than Clayton Yeutter.

The 101th Congress will be faced with a number of complex and controversial agricultural issues as the next few months unfold. It is clear that the members of the Agriculture Committee and the Senate as a whole will have to work together with the Department of Agriculture in order to sustain the economic recovery occurring on American farms today. In this respect, Clayton Yeutter has not only committed to work with Congress but has proven during his recent tenure as the U.S. Trade Representative that he will do so.

I want to point out for the record that the Committee on Agriculture held a hearing last Thursday, February 2, to consider the qualifications of Clayton Yeutter to be the next Secretary of Agriculture. Ambassador Yeutter presented himself with pride and confidence and he responded to all of the questions put to him with substantive answers. He impressed even the casual observer with his knowledge and understanding of some of the most important issues confronting American agriculture. I know Clayton Yeutter as a man of the highest moral character, and I am convinced of his ability to successfully carry out the difficult task of being Secretary of Agriculture. The unanimous vote of the Committee, yesterday, to favorably report this nomination to the full Senate for confirmation attests to the fact that I am not alone in my assessment among the members of the Agriculture Committee.

The most significant issues affecting agriculture that we will be dealing with during the next two years are the following:

1. Progress and implementation of the international negotiations and agreement in the General Agreement on Tariffs and Trade (GATT). As you all well know, the current round of trade negotiations is the first time in the history of the GATT that agriculture has been identified for separate negotiation. And, as you also well know, the success or failure of the Uruguay Round of the GATT could very well hinge on the outcome of the agricultural discussions.
2. Agricultural trade generally and the use of export tools such as the EEP.
3. Reauthorization of commodity stabilization programs as part of the farm bill and budgetary considerations associated with the operation of these programs.
4. Reauthorization of the Commodity Futures Trading Commission, which although not directly the responsibility of

the Secretary of Agriculture certainly has a direct impact on agriculture and the conduct of agricultural programs.

5. Agricultural research.

6. Ground water contamination.

Given these as a few of the critical issues, Clayton Yeutter's experience and accomplishments are astoundingly relevant.

In the area of trade, he has served as the U.S Trade Representative since 1985. Before that he had experience as the Deputy Trade Representative and as the Assistant Secretary of Agriculture for International Affairs and Commodity Programs. His support for agriculture during his recent tenure as Trade Representative has been strong and unbending.

He is a farmer with extensive experience running a 2500 acre operation. Through that experience and by serving as the Assistant Secretary responsible for commodity programs and as an attorney with an agricultural law practice he is intimately familiar with commodity programs.

Clayton Yeutter has served for about seven years as the President and Chief Executive Officer of the Chicago Mercantile Exchange, the second largest futures trading exchange in the world. He taught for several years at a land grant university--University of Nebraska--focussing on agricultural research and extension.

I could continue but that simply is not necessary. I know that he will work closely and harmoniously with me, with the other members of the Agriculture Committee, and with all of the members of the Senate. I congratulate him on his nomination and urge the immediate approval of the nomination.

Thank you Mr. President.

-30-

The CHAIRMAN. What I would like to do if my colleagues will permit, Senator Exon, the senior Senator from Nebraska, has to chair another hearing which he fortunately has the advantage of being chairman. He can let it slip a little bit, but Jim, I do not want you to push your colleagues too much. What I would like to do is go to Senator Exon so he can make the first introduction, then to Senator Kerrey, Congresswoman Smith, and Congressman Bereuter, to speak here on his behalf. Senator Exon.

STATEMENT OF HON. J. JAMES EXON, A U.S. SENATOR FROM NEBRASKA

Senator Exon. Mr. Chairman and members of the committee, thank you very much. I am going to be extremely brief because I am chairing a meeting this morning on tritium production which is a key element of our national defense. National defense, in my opinion, is the most important action of the Federal Government with the possible exception of agriculture. That is why I am here.

I just am going to leave some of the details to my colleague, Senator Kerrey, and my colleague, Congresswoman Smith. I just want to say, Mr. Chairman, that we are late here because many of us were at the prayer breakfast this morning. I had to leave before the President spoke, if he was able to talk. I think the same is true for the nominee today.

So we had a reason for being a little bit late. Just let me say, Mr. Chairman, that number one, I have known Clayton Yeutter for at least 25 years, back to the days of the mid-1960's when he was a very distinguished professor at the agricultural campus at the University of Nebraska. You and Senator Lugar have outlined some of the highlights of his career since then.

I could add some others. I remember when we used to argue back in those days with Dr. Ralph Cole, if you will remember, about how close you could plant the rows of corn together and how much fertilizer you could put on and still have a decent corn crop.

I have admired Clayton Yeutter for all of those years. I thought that your opening statement, Mr. Chairman, was most excellent because while Clayton and I are good personal friends, we have differed from time to time on some of the approaches to improve the quality of life in rural America in general, and agricultural policies in particular.

But I have found him open, someone that I could talk with and always responsive to our calls and our concerns. In fact, I cannot think of a higher endorsement of him to say that, Mr. Chairman, I have never known him to do a single mean thing in his life except when he married Jeanne who was the daughter of a very prominent Democrat, the former chairman of the Lancaster County Democratic Party. He did that. I think he may have converted her over the years, but we are still very close and personal friends.

And I salute his nomination by the President, and I enthusiastically endorse it and will leave to my other colleagues of Nebraska to fill in some of the details because of the press of time. And I appreciate your consideration.

The CHAIRMAN. Thank you very much, Senator Exon. Senator Kerrey, I know you have known Ambassador Yeutter both in your

capacity as Governor of Nebraska and now as a U.S. Senator, and I yield to you, sir.

STATEMENT OF HON. J. ROBERT KERREY, A U.S. SENATOR FROM NEBRASKA

Senator KERREY. Mr. Chairman and members of the committee, referencing Senator Exon's discussions about fertilizer on corn, I will not try to put an excessive amount of fertilizer on Ambassador Yeutter's nomination other than to say that in addition to the impressive résumé, in addition to the impressive life of committed public service and accomplishment, I think it is worth pointing out that Ambassador Yeutter has maintained his contact with his family and with the roots from which he has grown.

He will, in my judgment, be able to understand that agriculture is in a very fragile recovery and that there is a paradox in this land in that we have an enormous capacity to produce food and a struggling desire to make certain that all who obviously need that food receive it. He was, as well, present at the creation of the Natural Resources Districts in Nebraska and was instrumental in their development, an entity that has become extremely important in Nebraska in balancing our desire to produce food with our need to protect and enhance the environment from which we spring.

In short, I think he will be able to address the problems that we have in agriculture, not only with the capacity to understand the complexities but with the capacity to understand the human drama that occurs on our main streets. I think he will be an individual who will give sensitive attention to the often conflicting demands that not only you and I face, but all Americans who depend upon agriculture face.

It is with great pleasure and pride that I present Ambassador Yeutter to this committee.

[The prepared statement of Senator Kerrey follows:]

INTRODUCTORY REMARKS
SENATOR BOB KERREY
CONFIRMATION HEARING FOR AMBASSADOR CLAYTON YEUTTER
FEBRUARY 2, 1989

I'd like to take this opportunity to welcome Ambassador Yeutter again to the hearing. This represents what I believe will be a long and fruitful effort on our part and that of Senator Exon to represent the people of Nebraska here in Washington. I am very happy to have been chosen to serve on the Agriculture Committee to work on issues of vital importance to Nebraska.

I am particularly pleased to have a fellow Nebraskan heading up the Department of Agriculture at this point in time. His past experiences in agriculture will be very valuable in his position as head of USDA. We find ourselves today in an increasingly competitive and interdependent world which, as we saw in the early 1980s, can have a profound effect on our farmers and ranchers. I am hopeful that the Congress and the USDA will take advantage of the lessons learned as a result of that experience in crafting the 1990 farm bill to see that we never find ourselves in that situation again.

As we begin the Congress in which we are likely to craft the next farm bill, I would like to take a moment to lay out the four principles that I believe will allow us to develop a less costly, less intrusive, less complicated and more market-oriented farm program:

1. to permit food producers an opportunity to earn a fair return on their production costs. Any program which does not have this as its primary objective will not serve the best interests of the nation. Earned income as opposed to subsidized income is the goal.

2. to satisfy consumer demand, quality, quantity, variety, timing, and all other marketplace considerations. Distribution of food is our often-unnoticed asset; transportation and communication will become increasingly important in the future.

3. to satisfy remaining strategic and national interest considerations. I do not want to depend upon some other nation to feed me; I want the United States to be able to feed itself. Perhaps that attitude will be different fifty years from now, but not today.

4. to take into consideration environmental factors. We will produce nothing without soil and water. Hard work, education, and transportation will mean nothing if the soil is gone or water is either unavailable or unusable. The Conservation Reserve Program, and the sodbuster and swampbuster

provisions of the 1985 farm bill may need some common sense adjustments, but they must not be abandoned.

These four principles will be the basis for my views on putting together the 1990 farm bill as well as other agricultural issues that come before the Committee. I believe they will best serve the interests of Nebraska and the nation.

I look forward to working with Senator Leahy and other members of the Agriculture Committee in fashioning the best farm program possible. I also look forward to working with Ambassador Yeutter in representing Nebraska on issues such as the impact of yield calculations in the 1988 drought relief act on farmers in southeast Nebraska.

And now I would like to ask Ambassador Yeutter a couple of questions.

The CHAIRMAN.Thank you very much, Bob, and of course, as the newest member of the Senate Agriculture Committee, we are delighted to have you here making that introduction.

Congresswoman Smith, I understand from a conversation we had earlier that Ambassador Yeutter lives in your district.

Mrs. SMITH of Nebraska. Absolutely.

The CHAIRMAN. So we are delighted to have you here and the floor is yours.

STATEMENT OF HON. VIRGINIA SMITH, A REPRESENTATIVE IN CONGRESS FROM THE THIRD CONGRESSIONAL DISTRICT, STATE OF NEBRASKA

Mrs. SMITH of Nebraska. Thank you, Mr. Chairman and Mr. Vice Chairman, members of the committee, for this opportunity to introduce my good friend and neighbor, Nebraska's own, the Honorable Clayton Yeutter, to this distinguished committee.

If I were to read Clayton's résumé to you this morning, it would take all morning. I believe, as you indicated, Senator Lugar, that he is the most qualified American to serve as Secretary of Agriculture.

Clayton Yeutter, born on December 10, 1930, in my congressional district in the small town of Eustis, Nebraska—boy, student, doctor of philosophy, agricultural economist, professor at the University of Nebraska, family man, farmer, rancher, senior partner in a distinguished law firm, executive assistant to the former Governor of Nebraska, Assistant Secretary of Agriculture in the Ford-Nixon administration, businessman, corporate executive, member of a number of corporate boards, and lately President Reagan's Trade Representative.

In fact, that was a position of Cabinet rank and in this position, Clayton Yeutter mounted one of the most effective determined fights in history against protectionism, not only in agriculture but also in other trade. Not bad for our hometown boy from our Third District of Nebraska. I always knew he had it in him.

Looking at this incredible career, I really cannot think of anything else he could have done to prepare himself for this monumental new challenge.

Indeed, the position of Secretary of Agriculture has proved to be a bath in acid for some of his predecessors. I remember when Orville Freeman told the Kennedy transition team that he hoped his appointment would be anything but agriculture.

The facts are, Mr. Chairman, that we almost lost him to the private sector. Many of his friends, including me, begged him to accept this appointment.

I hand-delivered a letter to President-elect Bush and asked him to appoint Mr. Yeutter. I knew he would, but I urged him to, and I have a picture of me doing it to present to Clayton Yeutter this morning. [Laughter.]

Only Clayton Yeutter knows his reasons for turning away many more lucrative, far more lucrative positions and instead taking this difficult position of Secretary of Agriculture.

But we all know that the financial tradeoff is not the only sacrifice. All of us in public life know something about the wear and

tear on the psyche, on health, on family, on privacy, and relationships with others.

And I am just thankful that people of your caliber and people of his caliber are interested in serving this country in government. If you or your committee have any questions about his accomplishments, about his life in Nebraska, about his career, I would be delighted to expand. [Laughter.]

The CHAIRMAN. We will make it easier for you. We will ask the questions of Ambassador Yeutter. And Congressman Bereuter, I am delighted to have you over here, too. You are no stranger to this committee or to people, especially myself, in here on issues that come before us. I am delighted to have you here, sir, and I know you want to say a few words. We are waiting for the first person to start criticizing the Ambassador.

I once commented when—I think it was when Judge Sessions was up here for his confirmation as head of the FBI. And maybe it was because it was the week that the Pope was visiting the United States. It was more of a canonization than a confirmation, and I think we are getting a second one of these. But go ahead, sir.

[The prepared statement of Mrs. Smith of Nebraska follows:]

2/2/89 REMARKS OF THE HON. VIRGINIA SMITH, THIRD CONGRESSIONAL DISTRICT, NEBRASKA, INTRODUCING SECRETARY DESIGNEE OF AGRICULTURE CLAYTON YEUTTER, CONFIRMATION HEARING, SENATE AGRICULTURE COMMITTEE, 419 DIRKSEN SENATE OFFICE BUILDING, 9:30 A.M. THURSDAY, FEB. 2, 1989.

Thank you, Mr. Chairman and Mr. Vice Chairman, for this opportunity to introduce my good friend and neighbor, Nebraska's own, the Hon. Clayton Yeutter, to this distinguished committee for consideration of his confirmation to the position of Secretary of Agriculture in the Cabinet of the 41st President George Bush.

If I were to read Clayton Yeutter's resume into the record, it would take most of the rest of the morning. In brief, I believe he is the most qualified American to serve as Secretary of Agriculture.

Clayton Yeutter, born on December 10, 1930, in my congressional district in the small town of Eustis, Nebraska--boy, student, doctor of philosophy, agricultural economist, college faculty member. . . .

. . . family man (wife, Jeanne, and four children), farmer, rancher, senior partner in a distinguished law firm, executive assistant to the Nebraska governor in 1966-68. . .

. . . .formerly a US assistant secretary of agriculture [Nixon-Ford Administration], businessman, corporation executive, member of several corporate boards of directors. . . .

. . . .and lately in the Reagan Administration as the President's Trade Representative, itself of cabinet rank.

From this position, Clayton Yeutter mounted one of our history's most effective, determined fights against protectionism not only in agricultural trade but also in all other trade as well.

Not bad for a hometown boy. I knew he had it in him.

Looking at his incredible career, it would be difficult to imagine what else he should have done to prepare himself for this monumental new challenge.

Indeed, the position of the American "minister" of agriculture has proved to be a bath in acid for many of his predecessors. Orville Freeman, for example, told the John F. Kennedy transition team that he hoped his appointment would be "anything but agriculture."

The facts are, Mr. Chairman, that we almost lost Clayton back to the private sector. Many of his friends, including myself, begged him to accept this appointment.

Indeed, I wrote to Mr. Bush and talked personally to the President-elect about selecting Clayton Yeutter. I have a picture with me today to prove that to present to him. And the President did personally ask him to stay on in government.

Only Clayton Yeutter knows his reasons for turning away from many financially attractive offers outside the government and instead taking the largely thankless job of Secretary of Agriculture, assuming of course, the Senate does advise and consent to it.

But the financial tradeoff is not his only sacrifice. Anyone in public life knows about the wear and tear on the psyche, on health, on privacy, on family, and relationships with others.

Americans should take comfort in the fact that our government still attracts men and women of Clayton Yeutter's caliber.

Mr. Chairman, if you and your committee have any questions about my personal knowledge of Clayton Yeutter reputation, accomplishments, and career, I will be pleased to respond.

-END-

STATEMENT OF HON. DOUG BEREUTER, A REPRESENTATIVE IN CONGRESS FROM THE FIRST CONGRESSIONAL DISTRICT, STATE OF NEBRASKA

Mr. BEREUTER. Thank you, Mr. Chairman, members of the committee. I am going to disappoint you because I have no criticism either. Virginia Smith claims that Clayton Yeutter is a product of the Third District, and indeed he is. We are terribly proud of him.

I want to speak very personally about Clayton Yeutter and his wife Jeanne. They have been friends of mine since the mid-1960's when I first met them. He is, I think, my constituent in the First District. He may well have established a home in the Second District as well, just to keep all bases covered in Nebraska.

He was the Executive Assistant to Governor Norbert Tiemann and in that capacity served as chief of staff. I was the State planning director so that is how I became familiar with Clayton and his work.

Not only is he a distinguished graduate of the University of Nebraska with an undergraduate, Ph.D. in agricultural economics, a law degree, almost all of that seemingly simultaneously, but he provided additional leadership at the university and in their missions in South America for some period of time.

I think it is fair to say that I follow agricultural trade matters as close as anyone in the Congress, and that is why I am not afraid to use superlatives with respect to this nomination. Superlatives are deserved because I cannot imagine a person in the United States of America more able to serve effectively as the Secretary of Agriculture at this time. Clayton has that experience in the Department in the past. Of course, he is just completing a very energetic tour as the United States Trade Representative.

So Ambassador Yeutter, at a time when we need to emphasize aggressive, fair and firm negotiations and actions in the area of trade, agricultural trade in particular, brings that knowledge and that effectiveness, keeping a team intact with the nominee for the United States Trade Representative.

So I think that is the combination, that experience, the hands-on understanding of agriculture, plus that extraordinary experience in trade negotiations that is essential for the American farmer and for our export base at this time.

My wife, I hope Clayton will not be embarrassed to know, has always referred to him as a "prince of a guy," and never has she said anything else about him. He is that, indeed, and he is going to be an outstanding Secretary of Agriculture. I am very pleased to commend him to the committee. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Congressman. I thank both the members of the House for being here. Thank you very much for coming over.

Senator Dole, did you wish to make any opening remarks? I also know both of you have other things. I mean feel free to stay, but do not feel you have to.

STATEMENT OF HON. ROBERT DOLE, A U.S. SENATOR FROM KANSAS

Senator DOLE. I appreciate very much being a member of this committee. I think I have been on the committee probably longer than anyone else. I am not certain what that says, but it is an important committee, and I think it is important to note that along with everyone else in the audience today we have some real live farmers here too, Clayton, some from Nebraska and other States, and they are here because they are concerned about agriculture, as their families are and their States and communities.

I certainly confirm everything that has been said about Mr. Yeutter. I know we were given a list of outstanding people for the Secretary of Agriculture position, but as I told Clayton, he sort of stood out like a neon sign, and that is a compliment that is deserved because he has earned it.

He did it the old-fashioned way: he just kept on working. And there is no doubt in my mind that he is making a sacrifice to stay in public service. So we are the beneficiaries and we appreciate his commitment.

I would ask that my statement be placed in the record. I also would like to submit some written questions. Many of us are hopeful that we will just extend the 1985 farm bill. It was hard enough to get it passed, as you may recall. Many, some in this committee, fought it tooth and toenail.

But I think now it has been demonstrated that it is a good bill. There may have to be some modifications. For example, we would like a little more flexibility.

The farm bill has cost some money, but costs are coming down. It has served the people well, and I have to believe there are hundreds of thousands of farmers—as Pat says we have to stop the flow—that are on the farm today that might have been gone had it not been for the 1985 farm bill, the quick, bipartisan action, taken on drought legislation last year.

This years' drought seems to have moved from the Corn Belt to the Wheat Belt. So we are concerned. If you can make it rain, Clayton, we probably would not even have the hearing. We would just call it off and you would be confirmed.

One area we hope you will be very aggressive in is the administration of the Export Enhancement Program. It was another Nebraskan who was largely responsible for that program, my good friend Ed Zorinsky.

I remember sitting with Ed and working out some details, and his insisting we put more money into that program, and he was right. And we all knew we would need an aggressive, knowledgeable person to be our salesman to the world, on behalf of the American farmer. In my view the bottom line is still exports, selling what we produce for a profit and being competitive.

For all the reasons that others have stated, I am certainly pleased to welcome you and part of your family to the committee hearing. We look forward to what I hope will be a unanimous confirmation next week some time.

If I could submit my questions in writing, I would appreciate it. Thank you, Mr. Chairman.

The CHAIRMAN. Bob, I thank you, and of course, your questions will be put in the record. Bob Dole, the distinguished Republican leader has laid out some of the questions we will have to face on the farm bill.

[The prepared statements of Senator Dole and Senator Helms follow:]

STATEMENT BY SENATOR BOB DOLE
NOMINATION OF CLAYTON YEUTTER
SENATE AGRICULTURE COMMITTEE
FEBRUARY 2, 1989

Mr. Chairman, I would like to add my support for Clayton Yeutter to be Secretary of Agriculture. I have known Clayton for many years and can attest that he is well qualified to be the administration's leading advocate for agriculture. I believe the American farmer will find him a strong and intelligent voice for their concerns, especially in the international arena, where he has attempted to phase-out numerous unfair trade barriers that block American farm exports. The elimination of the Japanese beef and citrus quotas is one example. Many Kansas beef farmers are pleased to have access to what should prove to be a very significant market in the years ahead.

Background

Clayton probably has the ideal background for the job -- he grew up on a farm in rural Nebraska. And like many farm families in the depression era of the 1930's, his knew what tough times were. But despite the depression and poverty conditions, Clayton graduated with honors from the University of Nebraska, where he earned a doctoral degree in agricultural economics and a law degree as well. He served as Assistant Secretary of Agriculture in the Nixon years and as Deputy to the U.S. Trade Representative in the Ford administration. After heading the Chicago Mercantile Exchange, he became the United States Trade Representative, a position involving trade negotiations around the world on all products, industrial as well as agricultural.

The Future

As we look to the future in agriculture, we all know that budget considerations will play a key role in determining what level of financial assistance we will be able to provide farmers. Most of us want to continue the direction of the 1985 farm bill which focuses on maintaining farm income and boosting U.S. farm exports while meeting budget targets. This will mean that difficult choices will have to be made. We will need to have a Secretary that can work with congress in balancing these objectives.

Conclusion

In conclusion, Mr. Chairman, I would suggest that Dick Lyng will be a hard act to follow for any Secretary, but Clayton is the best-equipped person to help lead American agriculture into the next decade.

Statement for Senator Helms
Confirmation Hearing of Clayton Yeutter

Senator Helms. Mr. Chairman, I would like to briefly share with you a success story in American agriculture. In December, the Department of Agriculture announced a substantial increase in the flue-cured tobacco quota. The quota, or the amount farmers are allowed to grow, was increased by 18 percent.

More recently, the burley tobacco quota was also announced, and that program's success was similar -- an increase of 24 percent. These higher quotas are not only a boon to our tobacco growers, but to other segments of the farm community such as equipment manufacturers, seed producers, and companies producing fertilizers and herbicides. These increases will result in more millions of dollars going into the agricultural economy in the coming year.

Mr. Chairman, the formula for reaching the new quota is based on the buying intentions of our tobacco manufacturers, a three-year average of annual exports, and the desired reserve supply. It is a well-known fact that the recent success behind tobacco is directly attributable to increased tobacco exports. Countries such as Japan, Taiwan, and Korea -- which until recently had laws against even owning American cigarettes -- are now open to our tobacco products. And much of the credit for opening these markets goes to Clayton Yeutter and his work as United States Trade Representative.

In his position as U.S. Trade Representative, Ambassador Yeutter worked tirelessly to improve the international market for all American agricultural products. He received consistent praise for his handling of the most recent round of international trade talks, and has truly been a friend of the American farmer.

Mr. Chairman, I feel that Clayton Yeutter is a fine selection to serve as the Secretary of Agriculture. He has an excellent background in both government and agriculture. Aside from his position as Trade Representative, he served as an assistant secretary of agriculture in the Ford and Nixon administrations, has doctoral degrees in both agricultural economics and law, and still manages a farm in Nebraska.

I look forward to an even brighter future for U.S. agriculture under Clayton Yeutter, and I commend President Bush on his excellent selection of Clayton Yeutter to be the next Secretary of Agriculture.

The CHAIRMAN. I might say Bob is right. He has been here longer than all the rest of us. It was so long ago when he came to this committee that Ambassador Yeutter and I had hair. That goes back awhile.

I will yield to the distinguished Senator from North Dakota, Senator Conrad.

STATEMENT OF HON. KENT CONRAD, A U.S. SENATOR FROM NORTH DAKOTA

Senator CONRAD. Thank you, Mr. Chairman.

I, too, want to welcome Ambassador Yeutter to the committee, and I also look forward to working with you in your role as Secretary of Agriculture. We have had a good working relationship in your previous role as Trade Representative. I enjoyed very much the extended discussion we had the other day in my office, and the opportunity to discuss some of the problems and opportunities facing agriculture.

I think I would miss the mark representing the State of North Dakota if in my opening statement I did not point out what the conditions are and the serious need for dramatic change. I have just received two surveys from the State of North Dakota, one by the Extension Service and one by the University of North Dakota.

The survey by the Extension Service appeared in the papers yesterday, and it shows that 25 percent of North Dakota farmers will see hard times. The specifics of the survey are even more dramatic. It indicates of 31,000 farmers in North Dakota, 25 percent are in severe financial trouble. That is 8,000 out of 31,000 in severe financial trouble.

Those are people with debts exceeding 70 percent of their assets. The second survey called the North Dakota Rural Life Survey taken by the University of North Dakota quotes respondents, and the headline is "Survey of Small Towns Finds Pessimistic View."

Let me just quote from a few of these because I think it gives a flavor of what is happening in my State. One respondent was not optimistic about community development efforts until there is a turnaround in the farm and oil economies. The respondent states: "We need an improvement in the agricultural economy. Until that happens, all the damn surveys in the world will not help because we first need to keep our people in our State, county, township and small towns."

A similarly pessimistic outlook was expressed by another respondent who said: "The farm economy is very depressed. If it does not improve, I don't think anyone or anything can improve conditions in our rural area. No money is the big problem."

The same refrain was echoed by another respondent: "I don't know of a thing that can be improved upon right now. The downturn in the economy and oil field has bled our community dry. Job layoffs and jobs available, worse than the dirty '30s'."

It goes on and on. I will not pursue this endless stream of comments by people. Simply to say it is a very common element. I would cite one more. It says: "We are talking about a State full of ghost towns within 30 years." That is a pessimistic view.

I do not think that needs to be our future. But that is clearly how people see what is happening in my State which is among the most rural, if not the most rural, in our country. All of that says that although the 1985 farm bill may have prevented even more from leaving, that somehow we have not created a policy that is allowing rural areas of this country to share in the prosperity that many other parts of the country have experienced over the last 8 years.

And so Mr. Secretary-designate, I would indicate to you that I think we need to be very aware of the harsh reality that many are facing in rural America, certainly in my State. I too will have some questions. Will we, after opening statements, have a chance to go to questions?

The CHAIRMAN. We will. I, as soon as opening statements are out of the way, I will then swear in the nominee, and Senator Lugar and I have some opening questions that we want to ask, and we will then rotate back and forth.

Senator CONRAD. Well, I have some questions if we are not able to get to them that I would like to submit in writing and a statement for the record.

The CHAIRMAN. Trust me that we will stay here as long as necessary today. If there are further questions, we will just come back. I know that every Senator has a significant number of questions. I have submitted a number already to the Secretary-designate.

There have been enough issues that have been unfolding in the last few weeks that raise even more questions and we will make sure that all questions—no Senator on the committee nor those Senators off the committee who have submitted questions will not have a chance to get the questions answered.

The nominee has made it very clear, both to Senator Lugar and me, that he is fully prepared to answer questions as quickly and expeditiously as possible. They will be answered before we go to a vote.

[The prepared statement and attachments of Senator Conrad follow:]

SENATOR KENT CONRAD
Confirmation Hearing for Secretary of Agriculture Designate
Ambassador Clayton Yeutter
February 2, 1989

Welcome Ambassador Yeutter. It is a pleasure to have you here today. We have had a good working relationship in your previous role as United States Trade Representative. I look forward to working with you in your role as Secretary of Agriculture. I enjoyed very much the extended discussion we had in my office the other day concerning the problems and opportunities facing agriculture.

I think I would miss the mark in representing the State of North Dakota if, in my opening statement, I did not point out the serious conditions in my state, which aflict many rural states, as well as the need for dramatic change.

Two recent articles in the North Dakota press describing a survey by the North Dakota Extension Service and the Social Science Institute of the University of North Dakota highlight the situation of farmers and the state economy. The first article by Marc Conrad, THE BISMARCK TRIBUNE, is entitled, "25% of N.D. Farmers Will See Hard Times, Survey Says. According to agricultural economist, Harlan Hughes, the survey of farm finances shows "...that up to 25% of the states 31,000 farmers are in severe financial trouble, an increase of 5 percent since the 1988 survey was taken." Dr. Hughes continues, "To my way of thinking, the farm crisis that started in the early 1980s isn't over in North Dakota. I think things may have deteriorated since the drought and since our last survey in 1988."

The second article, in the BENSON COUNTY FARMERS PRESS of Minnewauken, is entitled, "Survey of Small Towns Finds Pessimistic View." One respondent stated, "I don't know of a thing that can be improved upon right now -- the downturn in the economy & oil field has bled our community dry -- job layoffs & jobs available -- worse than the 'Dirty Thirties.'" Another respondent said, "The farm economy is very depressed. If it does not improve, I don't think anyone or anything can improve conditions in our rural area. No money is the big problem." These are the words of people who do not see a bright future for rural America. I disagree, but to make the future brighter we will have to make changes. We can no longer subject rural states to the types of periodic economic depressions caused by changes in the weather or poor policy decisions in Washington.

Senator Kent Conrad
Opening Statement
February 2, 1989.

These two articles capture the essence of the conditions and attitudes of many in North Dakota. I ask that they be included in the record.

My state is not alone in the economic problems which it faces. The rural economy across the nation is still suffering from the deep farm recession of the 1980s. I don't need to tell you that the drop in farm income in 1980 through 1984 parallels the farm income depression of 1930 through 1934. In fact, adjusted for inflation, net farm income in the first 5 years of the 1980s was lower than during the first 5 years of the 1930s. Furthermore, during the 1980-84 period net farm income in real dollars was the lowest since record keeping began in 1910. Even in 1987, a year of supposed recovery, farmers cash receipts from the market for food grains, feed grains and oilseeds fell to a 25 year low -- over 50% below the 1980 level in real dollars. Only massive government spending kept many farmers going.

The challenges we face in the 1990s are made more difficult by the very strong political pressure to reduce budget deficits. We must fashion, with the new Secretary of Agriculture, a farm bill which will meet three difficult and, seemingly, conflicting goals -- first, reduce govenment expenditures; second, raise and stabilize farm income; and, third, retain and expand export markets. We must do all of these without unilaterally disarming the American negotiators at the GATT talks in Geneva. Already, in the 1980s, the U.S. has reduced farm supports by about 30% in real terms. Continued unilateral reductions will severely disadvantage our negotiators at GATT and jeopardize the nascent recovery in agriculture.

I urge the Secretary Designate to continue his strong advocacy for fair trade for American farmers.

Critically important for the effective working of the Senate and House Committees on Agriculture is access to the many studies of the effects of a multilateral agreement to end subsidies or other variations of possible GATT outcomes. I am hopeful that the new Secretary will be forthcoming in providing the Committee with the studies undertaken by the Economic Research Service and other researchers and analysts at USDA. If we are to begin preparing legislation for a world changed by GATT negotiations, we need to know the potential effects of those changes now.

Senator Kent Conrad
Opening Statement
February 2, 1989

I would also like to touch on an issue of importance to thousands of North Dakotans and hundreds of thousands of Americans -- that is the current sugar program. At this time all but 15% of raw sugar is subsidized in one way or another. The U.S. sugar program, at no cost to the taxpayer, has provided a stable supply of sugar at declining real prices to the American consumer -- a price that is below that of most developed economies.

President Bush has assured sugar producers, as indicated by the attached newspaper articles, that he will continue the current sugar program until such time as free and fair trade exists in the world sugar market. I will have some questions to ask on this issue later.

Finally, I want to express my support for the confirmation of Ambassador Clayton Yeutter to be Secretary of Agriculture.

Survey of small towns finds pessimistic view (1)

WEDNESDAY, JAN. 25, 1989
THE BENSON COUNTY FARMERS PRESS
MINNEWAUKEN, NORTH DAKOTA

Most small town residents want their communities to become more active in promoting economic development, but many residents are pessimistic about the future, according to a survey conducted by the Social Science Institute at the University of North Dakota in Grand Forks.

The 1988 North Dakota Rural Life Survey, an annual statewide poll, asked participants for their opinions on a host of topics, including economic development. Dr. Curtis Stofferahn, of UND's Dept. of Sociology, said the average respondent was from a 500-1,000 population community, married (74 percent), male (81 percent) & had a high school diploma & some college or vocational training.

Respondents were asked what their communities were doing to make a better place in which to live. More than half (54 percent) reported they already had a community development corporation (CDC), but one-fifth said their communities did not have a CDC, & 26 percent did not knew if their communities had a CDC.

One respondent noted the CDC in his community was not very active: "We need to get our community development corporation reactivated & try to generate more business."

Some respondents were wary about community development efforts because previous experiences were unsuccessful. "Unfortunately, many rural community investors have been burned trying to create things such as ethanol plants, etc. Development groups & community-minded individuals have been cheated out of their dollars by out-of-state con-artists preaching development. Currently, Otter Tail Power Co., working with local leaders, has embarked on a program pressing for community development in various communities it serves. I wish them well," said one respondent.

In the same vein, another respondent said, "Our biggest problem is closing of businesses & then people moving out to find employment. So finding new business would be a priority."

One respondent was not happy with the CDC's efforts to develop new businesses in his community: "Not much effort to support old business as is given for support for new. As a 15-year-old business, I feel our CDC bends over backwards to help new people & tends to forget we have been there."

Some respondents offered suggestions for strategies for business development. "(We) need a tax mill levy to generate funds for economic development, to be used to provide venture capital into new industry & to hire expertise to work on economic development. A country-wide levy would be appropriate. (We) need to have a broader base of support, especially among young businessmen."

Another noted his local bank was not helpful: "We need to have a bank that will support businesses. Ours is too tight with help." One noted that outside financing may be required for business development: "(We) can't always rely on local financing, beginning business (loans) through the Bank of North Dakota with local finance needs to be talked about. (We also need) better guidelines (on) how to start a business, not just talk."

Comments from respondents indicated a pessimistic outlook for the future of their communities. One respondent observed that a feeling of hopelessness was evident in his community, but he was not about to throw in the towel: "Civic pride & community participation in events such as fairs, parades, holiday celebrations, etc. is at an all-time low. Many families have left town in search of work. Although there is little hope for big industry we must explore ways of helping families in town."

A few respondents were not optimistic about community development efforts until there is a turnaround in the farm & oil economies. "We need an improvement in the agricultural economy. Until that happens, all the damn surveys in the world will not help because we first need to keep our people in our state, county, town, ship & small towns," said one respondent.

A similarly pessimistic outlook was expressed by another respondent who said, "The farm economy is very depressed. If it does not improve, I don't think anyone or anything can improve conditions in our rural area. No money is the big problem!"

The same refrain was echoed by another respondent: "I don't know of a thing that can be improved upon right now—the downturn in the economy & oil field has bled our community dry—job layoffs & jobs available—worse than the 'Dirty Thirties'!"

One respondent summed up the situation for most rural communities: "Economic hardships for North Dakota communities are caused by a depressed agricultural market. In order for North Dakota to survive & prosper something must be done to strengthen the agricultural economy. When this is done (if it will ever be done!), the smaller North Dakota communities will once again be a desirable & feasible place to live, work & raise a family."

Some respondents were not hopeful for any improvement in the long-term. "Aside from being a safe, wonderful place to raise a family, rural North Dakota has little to offer. I personally cannot see this improving in my lifetime. There are just so many more opportunities outside rural North Dakota. I cannot see any chance for this to get better. Unless a person can make a living from agriculture there isn't anything in rural, rural North Dakota."

One respondent apparently had already given up hope for his rural community & offered this suggestion: "Knock it down & bury the place or give it back to the Indians, maybe they don't even want it back anymore."

"We're talking about a state full of ghost towns within 30 years," said another respondent.

A plea for help was evident in this comment from one respondent: "Most people are concerned about the future of their towns. I believe we are all looking for guidance in determining what we can do & how to go about it."

Of the 4,247 questionnaires sent out, 1,824 were returned, an overall response rate of 46.3 percent; the response rate for farm operators was 46.3 percent.

25% of N.D. farmers will see hard times, survey says

By MARC CONRAD, Tribune Farm Writer

The ill effects of last summer's drought are expected to sprout up this spring in a survey of North Dakota farmers' financial status.

Ag economist Harlan Hughes of the North Dakota Extension Service said the survey will show that up to 25 percent of the state's 31,800 farmers are in severe financial trouble, an increase of 5 percent since the 1988 survey was taken.

If Hughes' predictions are correct, it doesn't look promising for up to 8,000 North Dakota farmers — 1,500 more than last year.

"To my way of thinking, the farm crisis that started in the early 1980s isn't over in North Dakota. I think things may have deteriorated since the drought and since our last survey in 1988."

But not all of the news in the survey will be bad, he said, adding that the survey will also show an increase in the number of debt-free farmers.

He predicted the spring survey will show up to 18 percent of farmers are without debt, a 2 percent increase over last year.

Hughes said he didn't know what effect the changes would have on the state's economy.

The extension service determines the financial health of farmers by asking a cross section for their debt-to-asset ratio, easily obtained from federal tax records, he said.

Farmers whose debts amount to no more than 40 percent of assets are considered in good financial shape; those indebted 40 percent to 50 percent are in a moderately stressful situation; and those with debts exceeding 70 percent of their assets are in trouble, Hughes said.

Hughes said the number of farmers in financial trouble is increasing largely because last year's survey showed little improvement over the one taken in 1985. Since then, he added, farmers have had to contend with last summer's drought.

Although federal drought payments helped farmers, they weren't enough to fully offset the crop loss, he said. And about half the grain farmers who are used to taking their previous crop to market the following year don't have a crop to sell.

Plant will close

GRAND FORKS (AP) — The Pillsbury potato flake processing plant, which employs about 120 workers, is closing March 31 after more than two decades of operation, plant manager Mike Sandrich announced. The plant is being closed because it does not operate efficiently, spokesman Larry Haag said. Pillsbury has a larger, more cost efficient facility in Idaho, he said. The Grand Forks plant has been in operation since 1961.

SATURDAY, May 7, 1988

Boise,

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The Idaho Statesman

124th year 287th Issue

A Gannett newspaper

Bush backs beet quotas

Responding to farm worries in Twin Falls

By RANDY STAPILUS
The Idaho Statesman

TWIN FALLS — George Grant, a leading Idaho sugar-beet farmer, wanted to know what a Bush administration would do to the sugar import quotas his industry depends upon.

Vice President George Bush told Grant he would insist import quotas remain until the international sugar market becomes a "level playing field." Then he added, "How's the business going?"

And Grant and other Magic Valley farmers talked about their business for a while.

On the second day of a campaign swing through Idaho, Bush met with more than a dozen farmers at the George Colner farm east of Twin Falls.

They sat in a semicircle in a barn. On the other side of a low fence a battery of reporters and television lights and cameras peered over them all.

The old barn, now more a storage shed for old farm equipment, had become a brightly lit movie set. But the participants paid a price. Outside, the rain fell in sheets. With temperatures already unseasonably close to freezing, wind whipped a bitter chill through the old building.

The farmers pulled their heavy coats tight, and reporters with half-frozen hands had trouble writing.

Sen. Jim McClure, R-Idaho, asked Bush whether he would rather move into the warm house 30 muddy yards away. Bush said he was willing to stay where he was.

Potato grower Dick Marshall of Jerome told Bush he was concerned about the U.S. trade agreement with Canada and its effect on crop prices and exports. Kimberly farmer and state Sen. Laird Noh said he was displeased with Federal Energy Regulatory Commission actions that have overturned state water policies.

Bush said he thought water policy generally should be left in the hands of state government.

The Idaho Statesman

The Valley

C Section
Friday
May 6, 1988
Boise, Idaho

Randy Stapilus
Opinion

Bush shakes Reagan name

Perhaps Vice President George Bush said it in some interview I didn't hear, or at some point in his speech when his voice was drowned out by applause.

But I never heard the presidential candidate mention Ronald Reagan's name once in more than a half hour of talking at the Western Idaho Fairgrounds on Thursday.

Of course, he didn't criticize the Reagan record either; he went out of his way to praise it. But instead of talking about the "Reagan Revolution" as so many Idaho Republicans still do, Bush spoke of "continuing a strong, principled America."

In such small ways, as well as larger ones, Bush is trying to get out from under the Reagan shadow without upsetting — or leaving behind — the political superstructure supporting it.

Idaho has been utterly faithful Reagan country. Bush now has to make it Bush country.

His goal has to be the same as the producer of a new television series: create something that's the same as the old hit, but also ... different.

Bush pushed all the appropriate buttons on Thursday.

His non-mention of Reagan strengthened the sense of Bush as a stand-alone individual, which a successful Idaho political must be.

He was friendly, but also strong-willed and quick on his feet.

His speech was the best-delivered of the three Idaho Bush speeches I have heard, and it was the right antidote to the so-called "wimp factor" that could hurt him in the West. If anything it was too unrelievedly intense.

Speech appeal

He was quick to stereotype prominent Democrats, including Michael Dukakis, Jesse Jackson and Jimmy Carter, as being one stripe of liberal doomsayer. That went over big with the Republicans.

Bush must have figured out or been told that subtlety doesn't cut it in Idaho. He got some of his loudest response when he said, "We've got to do better in narcotics. One of the challenges I'm going to throw down to whoever is the Democratic nominee is this: You stand out there carping and criticizing. What would you do? Will you join me, Jesse Jackson or Mike Dukakis, in putting the death penalty on those major drug traffickers?"

In interviews, he hit closer to Western issues and again said the right things. No, sugar import quotas won't be lifted if it causes unfair competition for our farmers. No, he would not want to try to exert federal control over Western waters that have been under state jurisdiction.

About the only point he made on the West some Idahoans would question is the rosy picture he painted of the region's economy in the mid-1980s. Pointing to Idaho's jobless rate, which has stayed below the national average, he said that was an indicator the state isn't doing badly.

Many Idahoans, while acknowledging some improvement in the past year, might take a different view.

But as matters sit, Bush seems in little danger of losing Idaho's four electoral votes to Dukakis this fall. Idaho has gone Republican in every presidential election after 1964.

George Bush isn't Ronald Reagan; he doesn't have the incumbent's magic touch with an Idaho audience. But Bush's on-the-money approach and the enthusiastic crowd that greeted him Thursday suggest Idaho will treat him no differently.

A question

As he was about to close, Bush said: "And yes, I'll make mistakes like anybody else, if I'm fortunate enough to be elected president. But they're not going to be dumb mistakes. They're not going to be mistakes that are made because I haven't had the experience."

I would have liked to ask him what kind of mistakes, then, they would be.

Randy Stapilus is the political editor of The Statesman.

T.F. stop; Bush backs sugar program

By ALLAN LAZO
TWIN FALLS - Vice President George Bush's offer of support for the sugar program was the most important thing he could have said for the Magic Valley, according to State Senator Denton Darrington, R-Declo.

Bush said it would be a mistake to do away with the program in response to a question from George O. Grant, president of the Idaho Sugar Beet Growers Association.

"I didn't know he would come out so strong (in support of the sugar program)," said Darrington, who was among a handful of Magic Valley agricultural leaders who attended a breakfast forum with Bush in Twin Falls this morning.

"He really reinforced his support for the sugar program," Darrington said.

Also, water became more of an issue than just the rain that fell during his 8 a.m. visit to the Conner farm near Twin Falls.

Efforts by the Federal Energy Regulation Commission to pull in more federal water rights came under fire from the ag leaders, and state water rights drew strong support from Bush. He said later he was not one who would centralize water controls.

"We also heard the importance of Idaho protecting it's water," Darrington said.

Darrington also stressed the importance of state water control rights, and Bush also drew strong support from a crowd at the College of Southern Idaho with his stance on state water rights.

At the breakfast, Bush also said that he would "stay the course" on the 1990 Farm Bill.

Bush said after his speech at CSI that he heard from the ag leaders at the Conner farm breakfast "that the farm bill is working."

He also added more work needs to be done to assure "fairness" in the market. "I do believe we can compete in the agricultural market," Bush said.

Darrington, told the vice president he farms in the east end of the valley, wanted to stress the importance of Idaho as a dairy state and called the recent dairy herd buyout program a "temporary reduction of production."

Inclement weather throughout southcentral Idaho's Magic Valley forced Bush to cancel a scheduled tour of the agricultural research center at Kimberly.

And when the vice president arrived for his closing appearance and speech at the College of Southern Idaho, he was met by a small group of about 20 picketers, protesting the weapons grade plutonium refining plan proposed for the Idaho National Engineering Laboratory in eastern Idaho.

McClure VP?, Bush remains uncertain

BOISE, Idaho (AP) — Vice President George Bush won't say who he's considering to run with him on the Republican presidential ticket. But he has a lot of nice things to say about one of the rumored candidates, Idaho Sen. James McClure.

Bush campaigned here for a couple of hours Thursday night before flying to Twin Falls in Air Force II for more campaigning today.

Bush planned a late-morning departure for Billings, Mont., and more campaigning.

He stressed Western and farm themes in the Boise speech to about 1,200 at the Western Idaho Fairgrounds, and had praise for McClure.

"He and I were elected the same day. We have been close, personal friends since then," Bush said.

In a "regional roundtable" with a small group of Idaho reporters, Bush wouldn't say whether he's considering a running mate from the Pacific Northwest.

"There's no 'short list' or 'long list' that has any authority to it," Bush said. The sole consideration, he said, should be the qualification of the vice president candidate to take over if something happened to the president.

There will be some geographic considerations, he said. "I have high regards for Jim and I will leave it out there."

In a later interview with Idaho radio and television reporters, Bush was asked again to rate McClure's chances, on a scale of one to ten. "Eleven," he responded.

The vice president promised to protect farm industries such as Idaho's sugarbeet farmers from unfair, subsidized competition. He said he likely would support the Special Isotope Separator proposed for the Idaho National Engineering Laboratory.

And the vice president said if he's elected, he will tell the federal bureaucracy that his policy is that "water belongs to the states, not the federal government."

Bush talks — and hears — farming in Gem visit

TWIN FALLS, Idaho (AP) — Vice President George Bush told Idahoans here Friday he came to the state to talk about — and listen to — farm problems.

He did plenty of both, capping a two-city presidential campaign swing through southern Idaho with a speech centered on farm issues.

Bush spoke to about 1,200 at a rally in Boise Thursday night, and to about 700 at the College of Southern Idaho Friday morning.

He campaigned at Billings, Mont., later in the day, wrapping up a three-day swing through Western states to boost his presidential prospects.

But he spent much of his time Friday at a farm about five miles east of here, visiting with the Coiner family and its four generations of farmers, and then sitting on a hay bale for a "working breakfast" with area farmers and ranchers.

"Communication is a two-way street," Bush said, and it is important for political leaders to hear from farm leaders about their problems.

The Idaho farm spokesmen stressed the importance of water, in a state where most of the farm land in southern Idaho is irrigated. They also brought up the problems of trying to sell farm produce in world markets, when some of the competition is government subsidized; wilderness issues; grazing fees and grazing rights for stockmen on public lands and the farm bill of 1985.

"Stay the course," advised Maxine Bell, Jerome, a representative of the Idaho Farm Bureau. She and others said they felt the farm bill is starting to work, and should be left intact, at least for a while.

Almost all of the farmers told Bush they were concerned about efforts by the federal government to exert more control over state water issues.

"Be very careful who you pick as secretary of the Interior Department," Mrs. Bell said.

In the Boise appearance, at the farm meeting and in his Twin Falls speech, Bush stressed that he did not believe the federal government should have primary responsibility for managing water. That should be

(Continued on page 2)

(Continued from page 1)

left up to the states, he said.

He got one of the biggest responses in his speech when he said the Democratic presidential leader (Michael Dukakis) said in a recent speech in Colorado that Dukakis favored more federal government control over water.

"We differ on that subject. He is wrong and I am right," said Bush.

The vice president also said he will not let Idaho's sugarbeet producers suffer through the dumping of subsidized foreign sugar in this country. He had no specifics, but said he would not unilaterally give up trade concessions.

"I do believe we can compete in agriculture," he said. "We've got to do a better job" in foreign markets.

Later, at Billings, he repeated his opposition to any agricultural embargoes, such as the grain embargo imposed by President Jimmy Carter. One of the farmers told him farmers still are suffering from the fallout from that embargo.

In a Bush administration, he told his Montana audience, "there will be no more grain embargoes against the Soviet Union or anyone else. We're not going to use food as a political weapon."

Bad weather scrubbed one of the events planned in the Magic Valley Friday morning, a tour of the farm research center at Kimberly.

But one of the farmer-stockmen who met with Bush, state Sen. Laird Noh, R-Kimberly, said area farmers didn't mind the rain that arrived with Bush. "They need the water," he said.

About 20 people displayed signs outside the building where Bush spoke Friday, opposing the Special Isotope Separation project which is slated for the Idaho National Engineering Laboratory in eastern Idaho.

The facility is to make weapons-grade plutonium and is opposed by anti-nuclear groups.

Bush held a "regional roundtable" with area reporters both in Boise and in Twin Falls. He said the United States should push ahead with the SIS project even though hope is high for increased arms control.

"The reason we got an INF (Intermediate Nuclear Forces) treaty was because we were strong," he said. "We cannot project a short-term answer to keeping the peace that doesn't have some dependency on nuclear weapons."

Political leaders have said that the strategic arms reduction talks and other possible agreements with the Soviet Union would reduce the need to build up the nation's stockpile of plutonium. But Bush said the United States cannot operate under the assumption that future treaties will become a reality.

"We don't have a START treaty or other treaties, so we have to keep plugging away," Bush said.

Bush earlier told the crowd at CSI that the INF treaty wouldn't have been possible if the United States was not dealing from a position of strength.

"It wouldn't have happened if we had listened to the nuclear freeze movement five years ago," the vice president said.

Bush pledges farm industry, water protection in Boise visit

BOISE (AP) – Vice President George Bush promised to talk about farm and Western problems in a campaign appearance here Thursday evening, and he did just that in a speech to a crowd of about 1,200.

He promised to protect farm industries such as Idaho's sugarbeet farmers from unfair, subsidized competition. He said he likely would support the Special Isotope Separator proposed for the Idaho National Engineering Laboratory.

And the vice president said if he's elected, he will tell the federal bureaucracy that his policy is that "water belongs to the states, not the federal government."

Bush squeezed in a round of news media interviews, about a half-hour spent working through a crowd shaking hands and a brief speech in the two-plus hours he stopped in Boise. About 1,200 turned out for the speech.

He got a warm, enthusiastic reception in Boise – in a state which gave the Reagan-Bush ticket more than 72 percent of the vote four years ago.

In a "regional roundtable" with a handful of reporters, Bush was asked about farmer concerns that the administration might abandon tariffs or import quotas protecting protect domestic sugarbeet growers from subsidized foreign competition.

"It is my feeling that the American farmer can compete with anyone," the vice president said. "But they can't compete against subsidized sugar."

He said one of the first things he would do if elected would be to call an economic summit on agriculture, aimed mainly at expanding markets.

"We are not going to make unilateral concessions," he said.

Sen. James McClure, who introduced Bush, a close friend, presented him with a set of personalized Idaho centennial license plates declaring, "Bush 88". Bush said he'd have to buy a car to put them on.

Senate President Pro Tem James Risch, R-Boise, state chairman of the Bush campaign, told Republicans to unite behind the vice president.

"We have had a spirited primary, and it is over," he said.

Bush was asked if he supported the proposed Special Isotope Separator destined for the Idaho National Engineering Laboratory.

He said he didn't know all the details of the SIS project, but would support it.

"We have to have facilities to keep our arsenal strong," he said. "We can't let our guard down."

Today, Bush leaves the Magic Valley in late morning for similar appearances in Billings, Mont.

When Bush has run with President Ronald Reagan in Idaho, he's done extremely well. In 1980, the Reagan-Bush ticket carried Idaho by 180,000 votes, getting 66.4 percent. Four years ago, the margin was 189,000 votes and Reagan-Bush polled 72.36 percent. That was second only to Utah in margin of victory in the presidential election.

Republicans have won presidential elections in Idaho since 1968, and most political leaders concede that if Massachusetts Gov. Michael Dukakis wins the Dmocratic Party nomination, there's little chance he will defeat Bush in Idaho.

State GOP Chairman Blake Hall said when he visited with Bush a couple of weeks ago, the vice president said he particularly wanted to win back the 2nd District congressional seat in Idaho. It has been held the last four years by Democrat Richard Stallings, but was held by Republicans for the 20 years before that.

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Farmers praise Bush's interest in Magic Valley agriculture

By BART JANSEN
Times-News writer

TWIN FALLS – Chatting over homemade cinnamon rolls and coffee Friday morning at the Coiner family farm, George Bush learned about Magic Valley agriculture.

Afterward, farmers and ranchers walked away from the brief meeting generally happy with the presidential candidate's perspective on farm policy and water law.

"I would not favor the elimination of the (sugarbeet) program," Bush said. "I don't believe it will ever be done away with."

And he supported states' sovereignty in water law, a position dear to the organizer of this Twin Falls visit, Idaho's senior GOP Sen. James McClure.

"The federal government should be the authority of last resort, not first resort," Bush said. "I understand the traditional role of the states and I do not want to interfere with that."

The discussion featured eight hand-chosen farming representatives gathered in the Coiners' barn. The vice president escorted Marietta Coiner, the matriarch of the four-generation farm, as they joined the others sitting on hay bales and huddling against bitter winds of the year's worst rainstorm.

Participants commended Bush for his attention and interest, voiced through comments and questions during the hour-long talk. Issues included federal land use and wilderness, irrigation farming and international competition in agriculture.

"He really reinforced the sugar program," said state Sen. Denton Darrington, R-Declo. "That's the most important thing that he said, for our area."

State Sen. Laird Noh, R-Kimberly, had lobbied for states' water rights, criticizing the "apparent effort of FERC (Federal Energy Regulatory Commission) to change and squeeze off our lifeline by ignoring 100 years of water law."

Both lawmakers are respected state leaders within their party and both were satisfied with Bush.

"I thought he was a very calm, collected American leader," Noh said.

But several uninvited farmers questioned the size of the group visiting with Bush and whether the group represented smaller, struggling farmers.

"I'd like to talk to him about the Farm Credit Service and how it's abused," said Twin Falls County farmer Walt Mueller, who is president of the Idaho Rural Council. "The Farm Credit Service is by-passing its authority by ignoring the right of first refusal" of its bankrupt farmers to buy back their land.

"He's my vice president too," said Mueller, who is also a Democratic legislative candidate.

Nevertheless, participants representing sugarbeets, potatoes, soil conservation, and sheep and cattle ranching said they were satisfied with the meeting.

Stallings applauds Bush's sugar stand but favors Dukakis

By CHRISTOPHER NEIL
States News Service

WASHINGTON – Democratic Congressman Richard Stallings praised Vice President George Bush's stand on sugar beets Friday, but pointed out that Democratic candidate Michael Dukakis also supports beet farmers.

Thursday in Boise and Friday in Twin Falls, Bush told farmers that he supported keeping farm subsidies and quotas on sugar beets. Bush's position differs from that of President Reagan, who has urged a worldwide reduction of farm subsidies.

"Under a Bush administration, the (sugar) program would continue even though I would try very hard to expand markets abroad by breaking down barriers to American products," the vice president said.

Stallings said that he was "pleased that Mr. Bush is reversing the policies of the Reagan administration."

But he added that he was glad to hear that Democratic presidential candidate Dukakis recognized the need to protect American sugar growers.

Last month Stallings said he would remain uncommitted as a "superdelegate" at the Democratic National Convention until he found out how the presidential candidates stood on sugar.

Friday he said that he was "leaning towards Dukakis; he's the only one left."

Dukakis still faces the Rev. Jesse Jackson in the race for the Democratic presidential nomination, but has such a commanding lead in convention delegates that he is almost certain to be nominated.

Bush already has garnered more than enough delegates to be win the GOP's presidential nomination.

Dukakis has said that although he believes it is necessary to support U.S. sugar growers in the absence of international price control agreements, he is concerned about the effect of U.S. sugar policies on countries such as the Philippines and the Caribbean nations.

Those countries are limited in the amount of sugar they can export to this country by quotas.

But the Massachusetts governor added, and Stallings agrees, that many nations that export sugar to the U.S. prefer to sell a limited amount of sugar at higher prices than to sell a larger amount at the depressed world level.

Stallings and Dukakis agree that high sugar subsidies in the European Common Market are responsible for the low world price of sugar and the need for American quotas on the importation of sugar.

"The culprit in this mess is the European Economic Community," Stallings said. "I really have been upset with the Reagan administration because it blames the EEC but still wants to eliminate the American sugar grower."

American raw sugar sold for about 22.1 cents a pound in February, according to a recent U.S. Department of Agriculture report.

The CHAIRMAN. Senator Cochran, do you have an opening statement?

STATEMENT OF HON. THAD COCHRAN, A U.S. SENATOR FROM MISSISSIPPI

Senator COCHRAN. Mr. Chairman, let me just say that I am happy to be able to congratulate our nominee. I do not know of anyone who has compiled a more impressive record of public service both in State government and at the Federal level than our nominee this morning.

I am delighted that President Bush has nominated him to be our new Secretary of Agriculture. I know he is going to do an outstanding job and provide strong leadership in helping us solve the problems that face our citizens who live and work in rural America. So it is a real privilege, I think, to have the opportunity to greet him this morning and to congratulate him on his nomination, and I look forward to the discussion of the issues with you.

The CHAIRMAN. Thank you. We have the ranking majority member here, Senator Pryor, of Arkansas. Do you have an opening statement?

Senator PRYOR. Let me, Mr. Chairman, if I might, pass for the moment. I just arrived here, and I will yield to another of my colleagues.

The CHAIRMAN. All right. Why do I not go then to Senator Daschle of South Dakota, if he wishes to, and then to Senator Boschwitz of Minnesota.

STATEMENT OF HON. THOMAS A. DASCHLE, A U.S. SENATOR FROM SOUTH DAKOTA

Senator DASCHLE. Thank you, Mr. Chairman. I would want to associate myself with the remarks made by our colleague from North Dakota because I think the Dakotas probably more than just about any other part of the country have felt the brunt of the drought and the natural disasters. We have faced as well the economic calamities that have been so widely reported in recent years.

As you take on this new position, Mr. Ambassador, you certainly have a good deal of confidence on the part of the committee here that of all those who could have been selected, certainly you are one of the most preeminent. That is as much of a problem as it is an asset.

I always like to go into a job with low expectations. You have the problem of suffering from exceedingly high expectations, and you are going to be evaluated on the basis of those extraordinarily and perhaps even unfair high expectations.

We are facing what I consider to be one of the most challenging times our Nation has ever faced in rural America. At a time when we are forced to look outward in a more globalized economy, with competition coming from all parts of the world, we also recognize the need to turn inward, to go to the Hovens and the Javas and the Pierres of South and North Dakota and recognize that something is crumbling there. And the quality of life is not what it was 50 years ago.

And that agricultural issues are far more pervasive today than they were years ago. That if all we do on this committee and in your Department is to deal with the nuts and bolts of a farm bill we have missed a golden opportunity, but we have also overlooked a major part of our responsibility.

If I could title your position, it would be one of agriculture, of rural development, of quality care to the young through nutrition, of research scientist, and of international trader. There is a broad range of descriptions that meet your responsibilities that ought to have just as much concern and certainly attention as we look to the critical years ahead.

But I can tell you this. I do not know of anyone, Republican or Democrat, who could come before the committee and have the credibility to work with the committee, as you do, and facing the problems we do, I hope we can work together.

The CHAIRMAN. Thank you very much, Senator Daschle. And I think you echo the feelings of an awful lot of members around this committee. Senator Boschwitz of Minnesota.

Senator BOSCHWITZ. Well, Mr. Chairman, I am going to forgo my normal opening 20 minute comment because I think everything has been said about Clayton that needs to be said. I can't resist saying to my——

The CHAIRMAN. You are to be blessed for that forbearance, Rudy, you really are.

Senator BOSCHWITZ. I cannot resist saying to my good friend from North Dakota that while I recognize that a lot of his farmers have problems, as do mine, that things are getting better in North Dakota because the last time you waived a headline, it said 25 percent of them were going to go out of business for sure. So that now 25 percent of them are in trouble. Some progress seems to have been made.

Senator CONRAD. Well, the 25 percent are already gone, Rudy.

Senator BOSCHWITZ. I really welcome you, Mr. Ambassador, and welcome you not only to this hearing but look forward to working with you.

The CHAIRMAN. Thank you very much, Senator Boschwitz. Senator Harkin is home with the flu and will have some questions for the record and a prepared statement.

[The prepared statement of Senator Harkin follows:]

STATEMENT OF SENATOR TOM HARKIN

COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY

HEARING ON THE NOMINATION OF CLAYTON YEUTTER
AS SECRETARY OF AGRICULTURE

THURSDAY, FEBRUARY 2, 1989

Mr. Chairman, I am very pleased to have this opportunity to welcome my friend Clayton Yeutter to this hearing of the Agriculture Committee and to congratulate him on his nomination to serve our Nation as its next Secretary of Agriculture. We are, of course, well aware of the outstanding academic and professional credentials that Clayton will bring to this position. His nomination as Secretary of Agriculture is only the latest accomplishment in an exemplary career in agriculture. Equally important in my view, though, is the comfort that farmers in my state and across the nation can take in the fact that Clayton is a Nebraska farm boy who has never lost his keen interest in and attachment to the family farm where he grew up and learned his earliest lessons.

We face many challenges in agriculture. There are lingering effects of last year's drought and uncertainty about what this year's weather will bring. Serious issues confront us regarding the budget and levels of spending on agriculture programs. In the face of these budget pressures we must work to ensure that farm income is maintained at adequate levels and that our family farm system of agriculture is preserved. Conservation and environmental issues will continue to play an important part in discussions of agricultural policy. Nevertheless, this is also an exciting time holding promising opportunities for revitalizing agriculture and rural America.

With the notable exception of short crop years, we face a perennial challenge in U.S. agriculture of finding uses and markets for the abundance of agricultural commodities produced by our fertile soils and efficient family farm system of agriculture. Keeping farmers producing and selling is the key to economic health for our farms and rural communities.

Clayton Yeutter has of course been at the forefront of working to gain access to foreign markets and increase exports of U.S. agricultural commodities. I commend him for the vigorous effort he has led to eliminate unfair barriers to agricultural trade. Our American farmers are highly efficient and productive; they deserve fair opportunities to compete and market their commodities in the international marketplace.

Another promising area is the research that is now only beginning into new uses and products derived from agricultural commodities. We are familiar with the use of corn, for example, to produce biodegradable plastics, ethanol, noncorrosive road deicer and various other products. Soybeans are used to make inks. With additional research I believe we can make much progress in developing new uses and markets for our agricultural commodities and in doing so boost the economies of rural areas. I understand that Clayton is also interested in these possibilities.

In addition to farm programs, the Department of Agriculture is responsible for administering various programs designed to help our rural communities create a better economic future. For a number of reasons the rural areas of our Nation have experienced some very tough economic problems in the past few years. Frankly, for the past eight years these problems and the programs addressing them have been neglected. I hope that under Clayton's leadership the Department of Agriculture will rededicate itself to effective and substantial action in the area of rural economic development.

One of the unmet requirements for economic development in rural areas and smaller communities is access to adequate amounts of capital. Capital is needed for water, sewer, transportation, education and communications facilities. Capital is essential for business development; lack of capital is a crippling impediment to developing home-grown businesses and jobs within communities. That is why I favor some involvement by the federal government in helping get capital to rural businesses. And when a business helped by government money prospers, I think the government should share in the increased value. This could be done by converting the debt position of the government (or government-assisted entity) into an equity position at some point, with the equity position then being immediately sold and the proceeds going into a rural development revolving fund.

It is also very important that we not forget that the Secretary of Agriculture serves all the citizens of our Nation. In particular, the Secretary is responsible for carrying out several important programs designed to address the basic need for adequate food and sustenance for all of our citizens, including the school lunch, food stamp, and commodity distribution programs. I am pleased that as Assistant Secretary of Agriculture for Marketing and Consumer Services under President Nixon, Clayton oversaw the implementation of the Special Supplemental Feeding Program for Women, Infants and Children, or WIC, which is widely viewed as one of the most cost-effective Federal programs of any type.

I sincerely look forward to working with Clayton in the coming years. I am sure that we will have some disagreements on policy; that is the way our system works. I am confident, though, that we will have a productive working relationship based on cooperation, respect, and forthright and fair debate on the issues.

The CHAIRMAN. Senator Pryor, did you want to say something?

Senator PRYOR. I'll just ask a few questions, Mr. Chairman. I will not make an opening statement.

The CHAIRMAN. Thank you. Senator McConnell.

STATEMENT OF HON. MITCH McCONNELL, A U.S. SENATOR FROM KENTUCKY

Senator MCCONNELL. Thank you, Mr. Chairman. I just want to say to Ambassador Yeutter I think the President has picked the best person in America for this job, and I suppose the expectations are high. You succeeded in opening the Japanese market to a number of American agricultural products, which nobody thought could be done. I think you are the single-best person in the country for this job at this time, and I congratulate you on your nomination.

The CHAIRMAN. Thank you very much. Senator Bond.

STATEMENT OF HON. CHRISTOPHER S. "KIT" BOND, A U.S. SENATOR FROM MISSOURI

Senator BOND. Thank you very much, Mr. Chairman.

I join in expressing pleasure at welcoming our good friend, the Ambassador. Clearly a lot of superlatives have already been offered to the Ambassador, but Clayton Yeutter, to my knowledge, is a man of honesty, integrity and dogged determination.

I think we are all grateful for the service he has given both to American agriculture and to the country as a whole in his position as the United States Trade Representative where he served with skill and dedication. We are very pleased that he has a background in production agriculture. I do not think anybody would question your credentials, Clayton, and although some of us have shared our questions about your judgment in taking the job, we are delighted.

I think this nomination sends a signal to the rest of the world that the United States intends to remain competitive in world markets. And also that the United States is going to negotiate from a position of strength. You have helped us establish that position, and we look forward to building on it.

Clayton, you take over at a very crucial time. As several of my colleagues have already mentioned, the drought problems that afflicted the northern plains are still with us.

There is some short-term relief forecast but in several counties in the northern part of my State, the survey shows streams and rivers running anywhere from 0 to 10 percent of normal; ponds and lakes, 30 to 35 percent; wells, 0 to 35 percent. Specifically, there is concern for livestock under existing emergency programs.

However, there is even greater concern that small confinement operations, primarily swine, are not eligible under existing programs. We think that is a real problem. I have a letter for you that I would hope would generate your careful attention because we do need to deal with this serious problem in the months to come.

On the positive side, I think there are some exciting times ahead for U.S. argiculture. The development of new crops and new uses for crops, I think, holds tremendous potential for agriculture and for rural America.

I think we can develop and promote products which open new markets for our farmers, provide environmental benefits, and lessen our dependency on imports. I note, as you well know, examples such as degradable plastics derived from cornstarch, newspaper ink derived from soybean oil and news pulp derived from kenaf.

Our train is on the right track. We are headed out of the station, and I know the USDA recognizes the importance of these products. However, we have a barrier in the base acreage requirements that needs to be addressed. I will again be introducing legislation to allow planting of some of these new crops—specifically, new industrial crops.

In a related area, I believe the whole issue of planting flexibility needs to be addressed. We have to find some way to reverse the continual decline in U.S. soybean production. We need to be able to encourage our farmers to plant for the market, to see what the market wants rather than what their base history tells them. In other words, we want them to be able to farm for the market rather than for the mailbox.

We are also going to be very interested in conservation issues, and hope there is a strong conservation title in the next farm bill which will have your support. In particular, I am anxious to hear your views on what changes may be needed to achieve the long-range goals of the Conservation Reserve Program. Is it feasible to enroll additional 12 to 15 million acres? We have some questions about that. Also, with the issues that the Chairman has addressed in our hearing on global warming [1] already this year, should we be taking some further steps to encourage tree-planting on CRP acres? Beyond that, achieving wildlife benefits of the CRP and the other set-aside acres are of great interest to us.

There are obviously many important issues. I am extremely pleased that you have been nominated for this important position. I certainly intend to vote, Mr. Chairman, for confirmation of Clayton Yeutter. A sage once said, "people don't care what you know until they know that you care."

I can tell you that in Clayton Yeutter, American agriculture has somebody who certainly does care, and we are going to find out that he knows a great deal and is willing to help American agriculture. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, and we have been joined by Senator Fowler of Georgia. We have not begun the questions as the Secretary-designate has not had a chance to give his opening statement yet, but if other Senators do wish to give a statement, opening statement, now is your chance.

STATEMENT OF HON. WYCHE FOWLER, JR., A U.S. SENATOR FROM GEORGIA

Senator FOWLER. As the Secretary-designate knows I was trained in the other body where we just like to question and answer and not make speeches. [Laughter.]

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[1] The Potential Impact of Global Warming on Agriculture, S. Hrg. 100-980, December 1, 1988.

So in the interest of time, I will simply say I have had the pleasure of working with the Secretary-designate during my days on the House Ways and Means Committee, and applaud his public service to date. I am very pleased that he is willing to take on these responsibilities. There are a lot of questions in agriculture and conservation I would like to discuss with the Secretary-designate, but I also have learned my Senate rules and I will wait my turn.

The CHAIRMAN. Thank you. Your brevity and that of Senator Boschwitz and Senator Pryor have gained the undying gratitude of the Chairman, and I hope it will set as an example to us all, and with that I will yield to Senator Gorton. Do not consider that a hint at all, Slade. You just go ahead and do whatever you want to do.

STATEMENT OF HON. SLADE GORTON, A U.S. SENATOR FROM WASHINGTON

Senator GORTON. Mr. Chairman, I note that Senator Wilson has been called from the room. I would ask unanimous consent that his opening statement be included in the record as if read if he is unable to return.

The CHAIRMAN. Without objection it will be.

Senator GORTON. And with that, I am delighted enthusiastically to support the nomination of Clayton Yeutter for Secretary of Agriculture. Mr. Yeutter has the right mix of experience and achievement as an agricultural economist, an attorney from Nebraska who held USDA Assistant Secretary posts in both the Nixon and Ford administrations and became the U.S. Trade Representative after working for a number of years as chief executive officer of the Chicago Mercantile Exchange.

Perhaps no one has a better concept of agriculture and the role it plays in international affairs than does Mr. Yeutter. His focus on the importance of trade to the U.S. farm economy is vital. He has made a personal commitment to opening markets abroad. Coming from a State in which the importance of international trade to the farm economy is increasingly critical, I have great appreciation for the depth of his abilities in both agriculture and in trade.

He has the talent, he has the ability to become a great, perhaps the greatest of all secretaries of agriculture. He has demonstrated that he is a tough bargainer on international trade issues, and he has vast experience in dealing with Congress. Mr. Yeutter understands the problems facing farmers today.

As a farmer-rancher from Nebraska, he understands the international economy in which farmers operate and I cannot think of anyone who is better qualified to step into the job than Clayton Yeutter. He displays the kind of sound judgment coupled with experience that we want and need in government, and I look forward to his swift confirmation.

The CHAIRMAN. Thank you very much, Senator Gorton.

Senator WILSON. Mr. Chairman.

The CHAIRMAN. Yes.

Senator WILSON. Hi. [Laughter.]

The CHAIRMAN. Pete, we are delighted to have you here. I just thought maybe we would go back and forth and maybe we would let somebody over——

Senator WILSON. Oh, I thought you were all finished on that side.

The CHAIRMAN. No, that is only wishful thinking that we have all finished the opening statements.

Senator WILSON. You said that, Mr. Chairman, not I.

The CHAIRMAN. But I will yield to Senator Heflin who has a very brief comment he wishes to make.

STATEMENT OF HON. HOWELL HEFLIN, A U.S. SENATOR FROM ALABAMA

Senator HEFLIN. I apologize for being late.

The CHAIRMAN. You were praying for us all.

Senator HEFLIN. I have been at the National Prayer Breakfast and this committee particularly stands in the need of prayer. [Laughter.]

Senator FOWLER. Farther along we will understand why.

Senator HEFLIN. Well, we are delighted to see you, Mr. Yeutter, and I have spent a good deal of time with you privately, discussing issues, primarily southern agricultural issues, and I think there are some distinct differences in agricultural issues that face different sections of the country. And therefore, not everything is uniform throughout in regards to a particular commodity. And I appreciate your willingness to look at this and to look at the various issues particularly as it would affect my State and affect the Southern section of this country.

We are more and more faced with water problems, and your background of having a Ph.D. in water management, if the greenhouse effect is real and if it continues, we may be faced in agriculture with a tremendous problem relative to water management in the future. And I think your background equips you to look into this and to have an understanding.

There are other numerous problems that are coming up in agriculture that affect all of it, and you have a background, having formerly served in the Department of Agriculture and the fact, of course, that you have been Trade Representative, I think, equips you. And as far as I know, unless somebody brings out something bad about you, I intend to vote for you.

But I might say that you are a little too dapper there for a farmer today with your collar and pink shirt and other things that you have got on, but——[Laughter.]

Ambassador YEUTTER. I will bring out my plaid shirts next time.

Senator HEFLIN. We may have to put you in overalls.

The CHAIRMAN. We want you to know, Mr. Ambassador, that if Senator Heflin will not vote for you, he will at least pray for you.

Senator HEFLIN. Well, we are delighted to have you here, and we look forward to the testimony of this hearing.

Senator BOSCHWITZ. He has got a pretty good tan, too.

The CHAIRMAN. This hearing may be more difficult than we thought. There are some ancillary issues that nobody expected. But now to go for the tan vote, Senator Wilson, from southern California, we are delighted to have you here, sir. [Laughter.]

Your prepared statement, of course, has been placed in the record by Senator Gorton, but we would be delighted to hear from you whatever you want to say.

STATEMENT OF HON. PETE WILSON, A U.S. SENATOR FROM CALIFORNIA

Senator WILSON. Thank you, Mr. Chairman. I will not be constrained by your generosity in placing the full statement in the record. [Laughter.]

The CHAIRMAN. He is one of those that does not want to earn my undying gratitude, but go ahead. Must be California does not have any issues up this year. Go ahead. [Laughter.]

Senator WILSON. Mr. Chairman, California's agriculture has managed to thrive in spite of the committee. [Laughter.]

But the fact of the matter is that Ambassador Yeutter is not only well-known to all members of this committee, but he is well-known throughout the Nation, deservedly, as someone who understands agriculture and its many different aspects in the different regions of the country.

But one thing that we have all shared in common is the desire to expand markets, foreign markets in particular, and of course, in his prior incarnation as the U.S. Trade Representative he has done more to achieve that for not only agriculture but manufactured goods as well, than virtually anyone who has held that job.

I have complained loudly many times that agriculture has been the bastard stepchild at the table when it has come to negotiations with our trading partners. I think that came to an end with Clayton Yeutter's coming to the role of the Trade Representative, and now that he has very generously, quite literally generously agreed that he will continue public service, and I might say that our thanks should extend to his family and to his wife Jeanne who will assist in the sacrifice that he makes. I think that we are extraordinarily well served.

Everybody knows how he managed a 3,000-acre farm while earning his Ph.D. and at the same time getting a law degree. It might interest you to know, Mr. Secretary—you probably do already—that the first person in charge of your Department was not a secretary. He was the Commissioner of Agriculture, and he had the improbable and interesting name of Isaac Newton. It seems that your energies have almost defied other laws of physics and chemistry.

But we are looking forward to the kind of leadership that you gave us as U.S. Trade Representative and seeing to it that agriculture in the very difficult times ahead, particularly with the European Economic Community as well as our Pacific world trading partners, does engage in some kind of fairness. I think your background at USTR is going to be of immeasurable value. I note with great pleasure that your distinguished predecessor, a Californian, Dick Lyng, was able to forge with you a united front that made a very great difference for the United States at the trading tables in the last few years.

So I am delighted and grateful that you have decided to take on this responsibility. You will be just as welcome in southern California as in the rills and ridges of Vermont.

The CHAIRMAN. In the which?

Senator WILSON. Rills and ridges. It is a poetic term for—never mind. [Laughter.]

The CHAIRMAN. If Robert Frost did not use it, we do not accept it.

Senator BOSCHWITZ. That is where those cows are wandering about that you have.

The CHAIRMAN. I see. I see. I thought he was talking about my own farm.

[The prepared statement of Senator Wilson follows:]

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY
FEBRUARY 2, 1989
STATEMENT OF SENATOR PETE WILSON (R-CA.)
AT THE CONFIRMATION HEARING OF
CLAYTON YEUTTER
NOMINEE FOR SECRETARY OF AGRICULTURE

MR. CHAIRMAN, IT IS INDEED A PLEASURE FOR ME TO SPEAK IN SUPPORT OF MY GOOD FRIEND AND ABLE COLLEAGUE, AMBASSADOR CLAYTON YEUTTER, TO BE OUR NEXT SECRETARY OF AGRICULTURE.

FOR THOSE OF YOU WITH AN INTEREST IN HISTORY, THE DEPARTMENT OF AGRICULTURE WAS CREATED IN 1862, AND FOR ITS FIRST 27 YEARS WAS ADMINISTERED BY A COMMISSIONER OF AGRICULTURE -- THE FIRST OF WHICH WAS ISAAC NEWTON OF NEW JERSEY. IN 1889, CONGRESS ESTABLISHED THE POSITION OF SECRETARY DURING THE TENURE OF NORMAN COLMAN OF NEW YORK.

THROUGHOUT THE 126 YEAR HISTORY OF THE DEPARTMENT, IT HAS BEEN LED BY 7 COMMISSIONERS AND 22 SECRETARIES; INCLUDING OUR MOST RECENT SECRETARY, DICK LYNG FROM CALIFORNIA.

MR. CHAIRMAN, I THINK ALL OF US AT THIS TABLE WOULD AGREE THAT DICK LYNG DID AN OUTSTANDING JOB AS SECRETARY OF AGRICULTURE. HE IS A TOUGH ACT TO FOLLOW.

BUT IF THERE IS ONE PERSON UNIQUELY QUALIFIED FOR THAT ROLE, IT IS CLAYTON YEUTTER.

I AM SURE THAT EACH ONE OF US KNOWS CERTAIN INDIVIDUALS WITHIN OUR OWN STATES WHO MAY POSSESS THE EXPERIENCE AND THE ABILITY TO SERVE AS SECRETARY OF AGRICULTURE. I BELIEVE IT IS A TESTAMENT TO THE EXCEPTIONAL QUALIFICATIONS OF THE NOMINEE SITTING BEFORE US THAT PRESIDENT BUSH REACHED OUT TO SELECT CLAYTON YEUTTER TO BE OUR NATION'S 23D SECRETARY OF AGRICULTURE.

WHAT A DIFFERENCE CLAYTON YEUTTER MADE AS OUR TRADE REPRESENTATIVE. AS A RESULT OF AMBASSADOR YEUTTER'S SERVICE AS TRADE AMBASSADOR, THE UNITED STATES STANDS TALL IN THE ARENA OF WORLD TRADE.

NOT ONLY DOES AMBASSADOR YEUTTER BRING INTIMATE KNOWLEDGE AND OUTSTANDING NEGOTIATING SKILLS IN INTERNATIONAL TRADE TO THE JOB, HE ALSO BRINGS DETAILED KNOWLEDGE OF THE FARM PROGRAMS LEARNED AS A FARMER IN NEBRASKA AND FROM HIS PRIOR SERVICE IN THE DEPARTMENT OF AGRICULTURE.

I DON'T NEED TO RECITE TO MY COLLEAGUES THE VARIOUS OFFERS MADE TO AMBASSADOR YEUTTER BY THE PRIVATE SECTOR.

THE FACT THAT HE IS SITTING AT THIS TABLE AS NOMINEE TO BE SECRETARY OF AGRICULTURE LENDS HEIGHTENED MEANING TO THE TERM "PUBLIC SERVICE."

MR. AMBASSADOR, I THANK YOU FOR ACCEPTING PRESIDENT BUSH'S NOMINATION -- AND TO YOUR WIFE, JEAN, I EXPRESS MY HEARTFELT THANKS, BECAUSE PUBLIC SERVICE ALSO REQUIRES MANY SACRIFICES BY FAMILY MEMBERS.

MR. CHAIRMAN, IN SHORT I CAN THINK OF NO BETTER PERSON TO BE OUR NEXT SECRETARY OF AGRICULTURE. I COMMEND PRESIDENT BUSH IN HIS CHOICE AND TRUST THAT THIS COMMITTEE WILL ACT EXPEDITIOUSLY TO REPORT FAVORABLY AMBASSADOR YEUTTER'S NOMINATION TO OUR NEXT SECRETARY OF AGRICULTURE.

THANK YOU, MR. CHAIRMAN.

The CHAIRMAN. Senator Baucus, another new member, and again delighted to have you here, sir.

STATEMENT OF HON. MAX BAUCUS, A U.S. SENATOR FROM MONTANA

Senator BAUCUS. Thank you, Mr. Chairman.

We all know you well and we know you personally and we know what a great job you have done in various capacities and particularly most recently as USTR. I particularly am extremely grateful for your very industrious efforts to open up beef markets in Japan, for example.

That is an additional, potentially additional $1 billion of additional American cattle sales to Japan, beef sales to Japan, and that is just one of many, many examples you have undertaken with, I think, just tremendous dedication, imagination and perseverance, and we are very grateful for you for doing that. That is to say nothing of your other efforts as USTR, not only in agriculture but in manufactured products.

As much as we like you and as much as we appreciate your past results and experience in achieving successful results for us and for the country, the fact is you still work for someone else. You work for President Bush. And you are going to have to be dealing with, as you know better than any of us, different cabinets, different interests, if you are going to be able to successfully pursue your interests and the agriculture sector of this country's interests in the USDA.

We hope very much that you continue to be as industrious within the Cabinet, within the White House, as you have been in the past, because there are going to be very terrific counter-pressures. In addition, I hope that you dedicate efforts in helping reform the Forest Service, a new charge that you will have.

Under the law, the public is entitled to about 97 total days to appeal Forest Service decisions in land use planning. It averages about 97 days total. The Forest Service on the other hand has taken about 550 days on average to process appeals, total time to process appeals close to 2 years.

And it is causing severe strain in parts of the country that depend upon forest products. So I very strongly encourage you to, in addition to your other duties, look into that and straighten that out.

And finally a third point, and that is this: I do not know much about California and much about Vermont, but I know it is pretty cold up in Montana, and if you can something about our cold weather, then you are going to do real well. Thank you very much.

[The prepared statement of Senator Baucus follows:]

OFFICE OF SENATOR MAX BAUCUS

FOR IMMEDIATE RELEASE
THURSDAY, FEBRUARY 2, 1989

CONTACT: SCOTT WILLIAMS
(202) 224-4373

STATEMENT OF SENATOR MAX BAUCUS

NOMINATION HEARING FOR CLAYTON YEUTTER
SECRETARY OF AGRICULTURE-DESIGNATE

Thank you, Mr. Chairman.

I was very pleased to see my good friend Clayton Yeutter nominated by President Bush for the post of Secretary of Agriculture.

To many of the Members of this Committee Clayton Yeutter may be a new face--a bit of an unknown quantity.

But he is not an unknown quantity for me. I have worked closely with Clayton over the last three years on international trade issues. I know him to be a tremendous negotiator, and one of the finest and most dedicated public servants I have ever had the pleasure of working with.

In his tenure as U.S. Trade Representative, Clayton had many opportunities to work together for U.S. agriculture.

He is responsible for the U.S.-Japan Beef and Citrus Agreement that opened the Japanese beef market to U.S. exports and may eventually yeild $1 billion a year in additional sales for U.S. cattlemen.

He also led the fight to open the Japanese market to U.S. exports of agricultural products ranging from grape juice to beef jerky.

He concluded an agreement with the European Community that guaranteed U.S. farmers compensation for the soybean and feed grain exports they lost when Portugal and Spain joined the EC.

He stood up to the EC when they decided to ban imports of U.S. meat under the guise of a health and safety restriction.

He has also led the U.S. negotiating team in the GATT that is striving to open new opportunities for U.S. agriculture worldwide.

I could literally go on and on.

In short, he has already moved mountains for U.S. agriculture. I feel certain that he will continue to move mountains.

Clayton has a vision of a strong and productive U.S. farm community that produces food and fibre for America and the world into the next century and beyond. He is just the man to help us make that vision a reality.

And when USDA is pitted against OMB or the State Department in intra-Cabinet battles, I can think of very few men I rather have defending farmers' interests.

President Bush would be well-advised to listen closely to the advice of the Secretary of Agriculture he worked so hard to recruit.

Clayton, there are a number of parallels in our lives.

We both grew up on farms.

We both have spent most our public lives to this point working on international trade.

And this year we our both beginning new jobs--you as Secretary of Agriculture and me as a member of the Agriculture Committee--that will increase our involvement in agricultural issues.

I trust we will both be able to put our past experiences to good use in our new jobs.

I am sure our working relationship will continue to be generally harmonious and productive. I genuinely look forward to working with you.

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Ambassador YEUTTER. Thank you.

The CHAIRMAN. Ambassador Yeutter, will you please stand and raise your right hand? Do you solemnly swear the testimony you are about to give will be the truth, the whole truth and nothing but the truth, so help you God?

Ambassador YEUTTER. I do.

The CHAIRMAN. Mr. Ambassador, I know you have an opening statement and having had to listen to all of us, it is only fair now that we have a chance to listen to you. You go right ahead, sir.

TESTIMONY OF AMBASSADOR CLAYTON YEUTTER, OF NEBRASKA, NOMINATED TO BE SECRETARY OF AGRICULTURE

Ambassador YEUTTER. Thank you so much, Mr. Chairman, and thanks especially to all of you and to my colleagues from Nebraska, who joined us earlier, for the very gracious comments this morning. That was a very warm welcome indeed, and I am just delighted with what you had to say.

As Senator Daschle pointed out, it does raise the expectations level higher and higher, and that does not make the challenge any easier. I fully recognize that. All of you, through your own relationships with constituents, know that it is not what you did yesterday, it is what you have done for those constituents today that counts. For me, in this capacity, today means now and into the future. But that is why I am here. And that is why you are here as members of the Senate Ag Committee. That is also why we have counterparts in the House Agriculture Committee. And it is why we have a team at the Department of Agriculture to attempt to respond to the issues.

Mr. Chairman, I would like to start by apologizing to you for being late. As Senator Exon indicated, it was because some of us were at the National Prayer Breakfast. I commit to you, Mr. Chairman, that I will not be late at another hearing during the remainder of my tenure. I cannot excuse the delay this morning except to say perhaps I have gotten a headstart on the drought problem by being at the National Prayer Breakfast. At least, let us hope so.

The CHAIRMAN. Mr. Secretary, do not feel at all concerned about that. We had a number of other Members who had exactly the same problem, and there is no concern felt here at all.

Ambassador YEUTTER. Thank you. And let me also begin by complimenting you, Mr. Chairman, Senator Lugar, Senator Dole, Senator Helms and others, who have provided great leadership in this committee through the years. I have followed the activities of all of you. I single out only the leadership, but obviously the same accolades can go to other Members sitting around this table.

You have performed yeoman service to American agriculture through the years. And you, Mr. Chairman, have been a close friend for a long time, and I especially look forward to returning to work with you.

I have known almost every member of this committee for a good number of years, some of you in the Senate all the way back to my former USDA days, many of you in the House when I was there at USDA. It has been a very pleasant and rewarding personal rela-

tionship in all cases, and it just feels like coming home, Mr. Chairman.

I made my opening statement available 24 hours ago, Mr. Chairman. I assume it may go into the record in full. I would just make a couple of comments, and then perhaps we can go immediately to questions and save a little time, if that is all right with you, Mr. Chairman.

The CHAIRMAN. Without objection, the whole statement will be placed in the record, but please feel free to highlight any point you would like.

Ambassador YEUTTER. Probably the only element that I would like to highlight at the moment, Mr. Chairman, is that I am very aware that we are not yet fully out of the woods in agriculture. Senator Conrad pointed that out, as did Senator Daschle. All of us know that there are significant segments of American agriculture still in very fragile economic shape. That will prove to be a challenge for all of us in the coming years.

It will be a challenge difficult to meet because none of us is a miracle worker, including me. We will be operating under very tight budgetary constraints. Much of American agriculture is still inordinately dependent upon a continual flow of funds from the Federal Government. That is simply not a healthy or sustainable long-term situation. We have to find ways for American farmers to earn their incomes from the marketplace in a much more predominant way than they do at the moment, and depend much less on the largesse of the Federal Government, which is a major factor in their income picture presently.

The only way to do that, Mr. Chairman, as you understand very well, is to make the world of agricultural trade function properly. As some have mentioned already here this morning, exports are critical, crucial, indispensable to the economic success of American agriculture. That means we have a lot of work to do internationally to make sure that we have a level playing field in terms of trade barriers around the world. We know that a level playing field does not prevail today. We must also make sure that we are competitive once the playing field is level.

That has implications for research, development, technology and a whole lot of other factors. Beyond that, and perhaps most importantly of all, we must recognize the influence of factors that are basically outside the control and jurisdiction of this committee, and of the Secretary of Agriculture. By that I mean fiscal policy, monetary policy, and tax policy here and in other countries around the world.

Those are probably the principal determining factors of agricultural incomes and to the degree that we can, and by we I mean you and me both, we should attempt to have an influence of those elements which are so important in this overall picture. That is all I would like to say at the moment. We will have opportunities, Mr. Chairman, to get into much more detailed issues in a moment. So back to you.

The CHAIRMAN. Thank you very much, Mr. Ambassador.

[The prepared statement and attachments of Ambassador Clayton Yeutter follow:]

OPENING STATEMENT BY CLAYTON YEUTTER
BEFORE THE
SENATE COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY
FEBRUARY 2, 1989

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE,

I am honored to appear before this Committee today as President Bush's nominee to be Secretary of Agriculture. As you know, I have been privileged to be here on two earlier occasions more than a decade ago -- first, as nominee to be Assistant Secretary for Marketing and Consumer Services, and later as nominee for what is now the position of Under Secretary for International Affairs and Commodity Programs. I truly enjoyed working with the Committee during the ensuing years, and I am pleased that a substantial number of Senators from that era are still here today.

This Committee, the House Agriculture Committee, Secretary Lyng, and the Reagan Administration can all take pride in what has been achieved in agriculture over the past three years or so. In the aggregate, the economic well-being of American farmers is substantially improved, net farm income has increased notwithstanding the drought, and most farm people are at least cautiously optimistic about the future.

Nevertheless, we still have more than enough challenges to keep both the Committee and the Secretary of Agriculture busy! American agriculture is still far too dependent on the generosity of the American taxpayer for its livelihood. That is unhealthy, and it is also unsustainable in the long run. Secondly, we have a major budgetary crunch on our hands. This country has a $150 billion budget deficit which will be reduced only through a combination of economic growth and spending disciplines. The USDA budget cannot realistically expect to escape the latter.

Those issues will get our attention for starters. But I'd like to look for a moment at an even bigger picture.

Macroeconomic policy decisions will probably have a greater impact on U.S. farm incomes in the coming years than anything else. What that means is that we should seek to influence macroeconomic policy-making in an appropriate and constructive way, both here and abroad. For example, what the developed countries of the world do in domestic demand generation over the next few years will have a lot to say about the level of their farm imports. That is particularly true for Japan and the major nations of western Europe, and it will become even more relevant if we are successful in negotiating improved access to those huge markets.

And what happens here in the U.S. on the budget deficit, coupled with the response thereto of the Federal Reserve, will have a lot to say about the value of the dollar and the price competitiveness of our farm products. We learned that the hard way, in the context of inflation control, just a few years ago. Monetary policy also determines interest rates, a major input cost for farmers and a further factor in our international competitiveness.

With factors such as these being of such immense importance to agriculture, the Committee might wish to hear testimony from key macro policy officials from time to time. Their long-term views will certainly be of great relevance to the Committee and to me as we craft farm legislation appropriate for the future.

A similar issue of slightly narrower focus is that of debt management in the lesser developed countries. These traditionally have been among the fastest growing markets for American agricultural products, but they've been stagnant in recent years. Their debt burden is a major factor in that stagnation, so any relief that can be provided should result in increased U.S. export sales.

I must also emphasize the importance of the Uruguay Round, an exercise to which I've given a great deal of attention over the past two and one half years. Agriculture is probably the key element of that negotiation. If we succeed in agriculture, we'll see major improvements in the operation of the entire world trading system over the next decade or so. And improvements in market access will provide excellent export opportunities for our farm community. They'll have to compete for the sales, but the opportunities will be there.

Some have suggested recently that the GATT is dead and that the Uruguay Round is going nowhere. I do not agree with that assessment. What those folks forget is that this is a four year negotiation and one should not draw conclusions about success or failure at the mid-point! There is plenty of tough sledding ahead, but the effort is worth our best shot and we intend to give it our best shot.

We have demonstrated, over the past three and one half years, that we can successfully open markets through aggressive bilateral negotiations. Recent examples are beef and citrus in Japan, tobacco in several Asian countries, almonds in India and the European Community, and processed foods in Japan.

But it is a whole lot more efficient, less time consuming, and less confrontational to do this multilaterally through the Uruguay Round. That should be a high priority for USDA, as well as for the United States Trade Representative, and it has implications for the 1990 farm bill.

We simply cannot rationally construct farm legislation for the '90s until we know the outcome of the Uruguay Round. We are in a global marketplace, we all represent an industry that is export dependent, and if we are to reform agricultural production and trade policies in the world, we must go down that road together with our trading partners. Were we to do otherwise, we would simply hand world markets on a silver platter to our competitors. We're not about to do that! Based on competitive factors we believe our

market share in most agricultural products should be considerably higher than it is today, not lower!

But we'll get a sound outcome in the Uruguay Round only through the use of leverage, and the Committee has already helped on that score. In the coming weeks, we should discuss this issue further in a forum that will not telegraph our strategy to the world, and I look forward to doing so.

To narrow the discussion still more, we must all do our best to help American agriculture be competitive. In other words, let's make sure we'll succeed on a level playing field. Most of that burden falls on the shoulders of farmers themselves, and I have every confidence that they'll come through. As a group, they have to be the best managers in the world already, and they'll get better as they hone their skills through higher levels of education, experience and sophistication.

What we in government must do is help to provide the tools appropriate for sophisticated managers -- research, technology, financing, and infrastructure. Sometimes farmers are out ahead of the government in these areas, and we ought to make sure that government leads rather than follows. That means we must have well trained, highly competent, visionary people in the top echelons of the Department of Agriculture. We need people who will show the way for the future, and who will provide the catalytic, coordination, and leadership roles that a sophisticated agricultural system demands. If confirmed, I hope that I can assemble a team with those characteristics.

There are specific issues which merit our attention too. Perhaps the most visible is the issue of farm income supports, i.e., the design of a safety net for our agricultural producers. As President Bush indicated during the campaign, the 1985 Farm Bill has generally done what we've expected it to do. But American agriculture is changing

constantly, and the institutional regime that is appropriate for today may well be inappropriate five years from now.

In addition, budgetary constraints will demand that we get more "bang for the buck" from these programs in the future. It will be our collective challenge to determine how best to achieve that objective. I will ask our USDA professionals for a comprehensive evaluation of existing programs preparatory to submitting recommendations for policy adjustments in the future, and we'll obviously also seek the views of our agricultural community. I know you'll do the same.

Today the Department of Agriculture is heavily involved in farmers' business on the marketing side, more so than at any time in my memory. I believe it is too involved, and that we and other countries should all permit the marketplace to function far more than it does at present.

Irrespective of what our trading partners do, we must make our own programs more cost effective. We must work hard at delineating priorities -- between, among, and within programs. We need to evaluate both the breadth and the depth of our safety nets. There should be no "sacred cows" in that process, including programs that are now mandatory. Furthermore, we should seek ways to avoid implementing programs that are at cross purposes. For years, we have used taxpayer moneys to take acreage out of production, while simultaneously using other taxpayer moneys to stimulate production on the remaining land. That is a double hit on the taxpayer, and a dubious proposition at any time, but particularly when the Federal budget is in deficit.

Rural development will inevitably occupy more of my time and yours than would have been the case a decade ago. The economic travail earlier in this decade, last year's drought, and other factors have led the rural areas of this country to sit back and think

contemplatively about their future. In doing so, they've begun to realize that many of them have become inordinately dependent on production agriculture. They need to diversify their economic base. Many wish to do that, but they do not know how. I hope we can help, though the leadership in such an endeavor should properly come from the grassroots. State and local governments can and should play a more relevant role than the Federal government, but there is a role for us too. We need to clarify and crystallize that role in the coming months and years, and we must do so coordinately with other agencies of government. For example, I hope we can develop joint efforts and synergies between USDA and HUD in this area. I intend to explore those possibilities with Secretary-designate Kemp in the near future.

Health and environmental issues have also come to the fore, reflecting the concerns of the American people with respect to water, air, and food quality, and the conservation of our natural resources, among others. Those are all legitimate public policy issues and we must face them squarely. That is what a vibrant democratic society is all about!

We must confront these delicate and often emotional questions in a transparent way. Let's make sure we surface all the considerations so that legislators, executive branch officials, and the general public know and understand the tradeoffs. When this is done, our system of government responds well. When the level of understanding is inadequate, then we run the risk of initiating unsound public policies. Our task in government is to properly balance interests, and we'll try to carry out that task responsibly.

I would add only a personal bias to this discussion -- it is my view that we Americans have opted too often in recent years in favor of the present over the future. We really have been the "now generation" -- in choosing consumption over savings and consumption over investment in the economy generally and in the use of our non-renewable resources. I hope we can alter that policy tilt.

I must add just one more philosophical note. Education has always been the antidote to poverty, and that shall continue. So why mention it at all? Because the commitment to education and vocational training in this country is not sufficiently strong. We should not aspire to competing with the rest of the world on wage rates, in agriculture or anywhere else. We must compete on the basis of technology, innovation, entrepreneurship, creativity, institutional flexibility and personal and institutional freedoms. All of those are built on education! That is a challenge for America -- at every level and at every institution, including the Department of Agriculture.

Finally, I want to say what a personal pleasure and honor it is for me to succeed Richard Lyng. Dick has been a dear friend and colleague for almost 20 years, and I'll miss him greatly, as will all of you. I hope I can earn the privilege of walking in his footsteps.

I will be pleased to answer any questions you may have.

(Attachments follow:)

M E M O R A N D U M

DATE: January 19, 1989

TO: Senate Committee on Agriculture, Nutrition and Forestry

FROM: Clayton Yeutter
Secretary of Agriculture-Designate

RE: Questionnaire for U.S. Department of Agriculture Nominees

The following are answers to your questions concerning my nomination as Secretary of Agriculture:

BIOGRAPHICAL INFORMATION (PUBLIC)

1. Full name (include any former names used).

ANSWER: Clayton K. Yeutter.

2. Address: List current place of residence and office addresses. List all office and home telephone numbers where you may be reached.

ANSWER: Office:

Office of the U.S. Trade Representative
600 17th Street, N.W.
Washington, D. C. 20506
202-395-3204

3. Date and place of birth.

December 10, 1930; Eustis, Nebraska.

4. Marital status (include maiden name of wife or husband's name). List spouse's occupation, employer's name and business address(es).

ANSWER: Married to Lillian Jeanne (Vierk) Yeutter; homemaker.

5. Education: List each college and graduate or professional school you have attended, including dates of attendance, degrees received, and dates degrees were granted.

ANSWER: 1952, B.S., University of Nebraska, Lincoln, Nebraska

1960, one semester of graduate work in agricultural economics, University of Wisconsin, Madison, Wisconsin

1963, J.D. (law), University of Lincoln, Lincoln, Nebraska

1966, Ph.D. (ag economics), University of Nebraska, Lincoln, Nebraska

6. Employment record: List (by year) all business or professional corporations, companies, firms or other enterprises, partnerships, institutions and organizations, nonprofit or otherwise, including farms, with which you were connected as an officer, director, partner, proprietor, or employee since graduation from college; include a title and brief job description.

ANSWER: See Attachment A.

7. Military Service: Have you had any military service? If so, give particulars, including the dates, branch of service, rank or rate, serial number and type of discharge received.

ANSWER: Yes, my military service was in the United States Air Force. I enlisted as a Basic Airman in 1952 upon graduation from the University of Nebraska, and later received a direct commission in Medical Administration. My serial numbers were AF17355706 from 1952-1954, and from 1954-1957 #A03000003. I continued in the active reserve until 1977 as a Lt. Colonel. I am presently in the retired reserve.

8. Government Service: State (chronologically) your government service or public offices you have held, including the terms of service grade levels and whether such positions were elected or appointed.

ANSWER: See Attachment A for dates and descriptions of the following government positions that I held:

Executive Assistant to the Governor of Nebraska (appointed)

Administrator, Consumer & Marketing Service, USDA (appointed)

Assistant Secretary of Agriculture for Marketing and Consumer Services, USDA (appointed)

Assistant Secretary of Agriculture for International Affairs and Commodity Programs (appointed)

Deputy Special Trade Representative, Executive Office of the President (appointed)

United States Trade Representative, Executive Office of the President (appointed)

9. Honors and Awards: List any scholarships, fellowships, honorary degrees, and honorary society memberships that you received and believe would be of interest to the Committee.

ANSWER: See Attachment B.

10. Other Memberships: List all organizations to which you belong, excluding religious organizations.

ANSWER:

Honorary Member, President's Export Council (honorary member as a result of being USTR)

Member, Metropolitan Club, Chicago, Illinois

Member, Chicago Club, Chicago, Illinois

Member, University Club, Washington, D.C.

Member, Capitol Hill Club, Washington, D.C.

11. Published Writings: List the titles, publishers, and dates of books, articles, reports, or other published materials (including published speeches) you have written. Please include on this list published materials on which you are listed as the principal editor. It would be helpful to the Committee if you could provide one copy of all published material that may not be readily available. Also, to the maximum extent practicable, please supply a copy of all unpublished speeches you have made during the past five years on issues involving agriculture, nutrition, forestry or commodity futures policy or related matters.

ANSWER: See Attachment C.

12. Health: What is the present state of your health?

ANSWER: Excellent.

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FINANCIAL DATA AND CONFLICT OF INTEREST (PUBLIC)

1. Have you severed all connections with your immediate past private sector employers, business firms, associations, and/or organizations?

   ANSWER: Yes.

2. List sources, amounts and dates of all anticipated receipts from deferred income arrangements, stock options, incompleted contracts and other future benefits which you expect to derive from previous business relationships, professional services, firm memberships, former employers, clients, or customers.

   ANSWER: None.

3. Do you, or does any partnership or closely held corporation in which you have an interest, own or operate a farm or ranch? (If yes, please give a brief description including location, size and type of operation.)

   ANSWER: Yes. I have varied ownership interests in a farm unit of about 2,000 acres that is located near the town of Eustis in Dawson County, Nebraska, and in a smaller unit of about 200 acres located on the edge of Lincoln in Lancaster County, Nebraska. The first unit is a combination of grassland and crop production, primarily irrigated corn. The second unit will eventually ripen into residential and commercial usage since it lies on the edge of a city, but is presently being used to produce grain sorghum, wheat, and soybeans.

4. Have you, or any partnership or closely held corporation in which you have an interest, ever participated in Federal commodity price support programs? (If yes, provide all details including amounts of direct government payments and loans received or forfeited by crop and farm, etc. during the past five years.)

   ANSWER: Yes. Agricultural program payments were as follows:

   1987 - $13,346
   1986 - $13,001
   1985 - none
   1984 - none
   1983 - $2,561

   I do not yet have final data on my 1988 payments but they should be approximately comparable to those of 1986 and 1987.

PAGE FIVE

5. Have you, or any partnership or closely held corporation in which you have an interest, ever received a direct or guaranteed loan from or cosigned a note to the Farmers Home Administration? (If yes, give details of any such loan activity during the past five years.)

ANSWER: No.

6. Have you, or any partnership or closely held corporation in which you have an interest, ever received payments for crop losses from the Federal Crop Insurance program? (If yes, give details.)

ANSWER: No.

7. If confirmed, do you have any plans, commitments, or agreements to pursue outside employment or engage in any business or vocation, with or without compensation, during your service with the government? (If so, explain.)

ANSWER: No.

8. Do you have any plans to resume employment, affiliation, or practice with your previous employers, business firms, associations, or organizations after completing government service. (If yes, give details.)

ANSWER: No.

9. Has anyone made a commitment to employ you or retain your services in any capacity after you leave government service? (If yes, please specify.)

ANSWER: No.

10. Identify all investments, obligations, liabilities, or other relationships which involve potential conflicts of interest in the position to which you have been nominated.

ANSWER: To the best of my knowledge, the only potential conflict would lie with my farming operations. That will be eliminated by shifting from a crop share to a cash lease arrangement, and my tenants have already agreed to this.

11. If confirmed, explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items.

ANSWER: See response to question 10.

ATTACHMENT A

CLAYTON K. YEUTTER

EMPLOYMENT HISTORY

July 1985 - present: U.S. Trade Representative, Executive Office of the President. This is a Cabinet post, reporting directly to the President of the United States on all trade matters. The primary responsibility of this position is to develop an overall trade policy for the Nation, and then coordinate the development of a U.S. postion on all individual trade issues of importance to our country. The U.S. Trade Representative is also responsible for the strategy and tactics that are followed in the conduct of both bilateral and multilateral trade negotiations.

July 1978 - June 1985: President and Chief Executive Officer, Chicago Mercantile Exchange, the world's second largest futures market. The CME conducts futures trading in (1) all the major international currencies; (2) interest rate contracts for Treasury bills, bank certificates of deposit, and Eurodollars; (3) stock indices, such as the S&P 500; and (4) agricultural contracts, such as fat cattle, feeder cattle, and hogs. The Exchange also offers options trading in several of these products. It has been the fastest growing futures exchange in the world in recent years, and probably has a larger dollar turnover (many billions each day) than any other private sector entity in the world.

April 1977 - June 1978: Senior partner of the law firm Nelson, Harding, Yeutter & Leonard in Lincoln, Nebraska. The firm had additional offices in several other cities. Responsible for the firm's agriculturally related practice, and for coordinating all elements of the practice where Washington, D.C. or international interests were involved.

June 1975 - February 1977: Deputy Special Trade Representative, Executive Office of the President. This was an Ambassadorial post with responsibility for conducting trade negotiations on behalf of the President and the U.S. Government. It involved contacts and negotiations with representatives of many foreign governments, as well as coordination of U.S. policy positions with other Federal departments, the Congress, and numerous private sector advisory committees.

March 1974 - June 1975: Assistant Secretary of Agriculture for International Affairs and Commodity Programs. Responsible for all activities of the U.S. Department of Agriculture in the following agencies: Agricultural Stabilization & Conservation Services; Foreign Agriculture Service; Federal Crop Insurance Corporation; Commodity Credit Corporation.

January 1973 - March 1974: Assistant Secretary of Agriculture for Marketing and Consumer Services. Responsible for essentially all regulatory and domestic market service functions in the U.S. Department of Agriculture. Agencies included: Animal & Plant Health Inspection Service; Agricultural Marketing Service;

Commodity Exchange Authority; Food & Nutrition Services; Packers & Stockyards Administration.

January 1972 - December 1972: Regional Director, Committee for the Reelection of the President. Responsible for all facets of the President's campaign in seven midwestern states. Also served as Director for Agriculture with responsibility for the agricultural portion of the campaign in all 50 states.

October 1970 - December 1971: Administrator, Consumer & Marketing Service, U.S. Department of Agriculture. Responsible for such programs as meat and poultry inspection, the grading of agricultural products, development of product standards, market news, the administration of market orders, procurement of food for commodity distribution, school lunch programs, etc.

September 1968 - October 1970: Director, University of Nebraska Mission in Colombia. The largest agricultural technical assistance program in the world at that time. Involved the participation of six midwestern land grant universities, with funding by AID, the Kellogg Foundation, and the Ford Foundation. Assistance was provided at the graduate and undergraduate level in teaching, research, and extension in all major agricultural fields. Recipient agencies were the Colombian Agricultural Institute (which somewhat approximates USDA) and the National University.

January 1966 - September 1968: Executive Assistant to the Governor of Nebraska. Responsible for coordination between the Governor and numerous agencies of state government - including the Department of Agriculture and all state educational institutions. Handled all legislative liaison work, including drafting of legislation to broaden the state tax base and to provide for state aid to education. Other major legislation enacted included: creation of a state department of economic development, establishment of a minimum wage, merger of the University of Nebraska and the University of Omaha, establishment of a state telecommunications commission, etc.

January 1960 - January 1966: Faculty member, Department of Agricultural Economics, University of Nebraska. Combination teaching, research and extension responsibilities in agricultural economics and agricultural law. Major professional area was resource economics, i.e., land and water. Taught only part time while completing requirements for the Ph.D. and J.D. degrees. Served full time in 1965 and 1966.

1957 - 1975: Operator of a 2,500 acre farming-ranching-cattle feeding enterprise in central Nebraska. This unit is now operated by a tenant on a cash lease basis.

1952 - 1957: United States Air Force. Enlisted as a Basic Airman upon graduation from the University of Nebraska. Later received a direct commission in Medical Administration. Ranked first in graduating class in Basic Course in Medical Administration, Gunter AFB, Alabama. Recipient of numerous military awards. Continued in the active reserve until 1977. Now a retired reserve Lt. Colonel.

1963 - 1968: To the extent permitted by time and other obligations, active in the practice of law in Lincoln, Nebraska.

ATTACHMENT B

CLAYTON K. YEUTTER

HONORARY SOCIETY MEMBERSHIPS, DEGREES AND AWARDS

SCHOLASTIC RECORD

Received B.S. from the University of Nebraska "With High Distinction," the highest scholastic honor given by the University. Ranked first in College of Agriculture graduating class. Named by the Block & Bridle Club as outstanding animal husbandry graduate in the United States.

Received J.D. from the University of Nebraska "Cum Laude." Ranked first in the graduating class. Named outstanding law graduate in the Midwest by Phi Delta Phi legal fraternity.

Received Ph.D. from the University of Nebraska, and was named outstanding graduate student in ag economics. Received an "A" average for entire graduate program.

PROFESSIONAL AND FRATERNAL SOCIETIES

Agriculture: Alpha Zeta (scholastic); Chancellor of local chapter as an undergraduate.

Gamma Sigma Delta (scholastic)

FarmHouse (social); President of local chapter as an undergraduate.

Law: Nebraska Bar Association

Order of the Coif (scholastic)

Phil Delta Phi (social and professional)

RECIPIENT OF AWARDS AND HONORS

Recipient of the Israeli Prime Minister's Medal for long-time friendship to Israel and support for its economic development
Recipient of American Society of Agricultural Consultants "1978 Distinguished Service Award"
Recipient of Knights of Ak-Sar-Ben "1978 Agricultural Achievement Award"
Recipient of FarmHouse "Master Builder of Men" Award, the highest honor granted an alumnus of that fraternity
Recipient of Purdue University's (Lafayette, Ind.) "Old Masters" Award, and the University of Nebraska's comparable "Masters" Award
Recipient of Chicago Farmers "Distinguished Service to Agriculture" Award
Member, Nebraska Hall of Agricultural Achievement

Member, Honorary Committee for Meridian House International's 25th Anniversary
Honorary Advisor, Ambassadors Council of the Japanese American Cultural and Community Center
Recipient of Ag Relations Award from the Nebraska Council on Public Relations for Agriculture, October 1986
Recipient of 1987 Business Leadership Award from the University of Nebraska's College of Business Administration Alumni Association
Recipient of 1987 Consumers for World Trade Award
Recipient of 1987 International Platform Association Award
Recipient of 1987 Service to American/World Agriculture Award, National Association of County Agricultural Agents
Recipient of 1988 Agri Award of the Annual Triumph of Agriculture Exposition Farm and Ranch Machinery Show
Recipient of Honorary Doctorate of Law Degree from University of Nebraska, May 1988
Recipient of Service to Agriculture Award presented by the Agricultural Economics Club of the University of Nebraska, April 1988
Recipient, Asia-Pacific Council of American Chambers of Commerce Award, June 1988
Recipient, Nebraska Bankers Association Award, September 1988
Honorary Chairman, Bush/Quayle '88 Rural USA Coalition
Recipient, Ak-Sar-Ben Court of Honor Award for Public Service, the first such award issued by Ak-Sar-Ben, Omaha, Nebraska, 1988
Recipient, 1988 Public Sector Award from Washington International Trade Association
Recipient, American Agricultural Editors' Association 1988 Distinguished Service Award

ATTACHMENT C

CLAYTON K. YEUTTER

PUBLISHED AND UNPUBLISHED MATERIALS

Published Speeches and Articles

Impact of Futures Markets on the World Economy by Dr. Clayton Yeutter, President and Chief Executive Officer, Chicago Mercantile Exchange, Chicago, Illinois, U.S.A., for the quarterly issue of Papeles de Economia Espanola, a Spanish economic journal, Madrid, Spain

Risk Management -- An Overview for the Next Decade by Dr. Clayton Yeutter, President and Chief Executive Officer, Chicago Mercantile Exchange, for Journal of Commerce, November 1984

Agricultural Options: Choice and Flexibility by Dr. Clayton Yeutter, President and Chief Executive Officer, Chicago Mercantile Exchange, for The Cattleman, published by The Texas & Southwestern Cattle Raisers Association

USA: The World's Largest Trading Nation by the Honorable Clayton K. Yeutter, U.S. Trade Representative and Former SCFA Board Member, Washington, D.C., August 1985

The U.S. Trade Deficit: Causes and Cures by Ambassador Clayton Yeutter, The U.S. Trade Deficit, Touche Ross, 1985

U.S. Threatens Itself With Protectionist Measures by Clayton Yeutter, Los Angeles Times, Monday, November 18, 1985

The Future of Japanese-American Trade by Ambassador Clayton Yeutter, Trends Magazine, November 1985

A Historic Opportunity by Clayton Yeutter, Leaders Magazine, January 1986

It's So Bad, The Sponsors Must Want It Vetoed by Clayton Yeutter, The Washington Post, Sunday, May 18, 1986

Competing More Aggressively in International Markets by Ambassador Clayton Yeutter, U.S. Trade Representative, Outlook, Fourth Quarter, 1986

The Future of Agricultural Trade by Clayton Yeutter, Fertilizer Progress, September/October 1986

A GATT for the 21st Century by Ambassador Clayton Yeutter, U.S. Trade Representative, Business America, October 13, 1986

A Forward-Looking United States Trade Policy by Clayton Yeutter, SAIS Review, Winter-Spring 1986, Volume 6, Number 1

Protectionism -- Competition in the World Marketplace by Clayton Yeutter, Vital Speeches of the Day, March 1, 1987

Business Forum: The White House View: The Japanese Left Us With Little Choice by Clayton K. Yeutter, The New York Times, Sunday, April 5, 1987

The Uruguay Round: Rescuing the Trading System by Ambassador Clayton Yeutter, Looking Ahead, Fall 1987

The Four Pillars of Trade Policy by Clayton Yeutter, Center for the Study of American Business, Washington University in St. Louis

Attacking the Trade Deficit by Clayton Yeutter, United States Trade Representative, VIA Port of NY-NJ, July 1987

Article for European Affairs Magazine by Clayton Yeutter, July 1987

Questions and Answers on "American Companies Have Gotten A Lot Leaner and Meaner" by Clayton Yeutter, American Quarterly, Issue 2, September 1987

Trade Negotiations -- Past and Future by Clayton Yeutter, United States Trade Representative, U.S. Department of Agriculture Yearbook, December 1985

Why It's Time to End the Hand-Wringing: Agricultural Trade Policy by Clayton Yeutter and Richard Lyng, Financial Times, Wednesday, October 12, 1988

Annual Report of the President of the United States on the Trade Agreements Program, Twenty-Eighth Issue, Foreword by Clayton Yeutter, 1984-85

Annual Report of the President of the United States on the Trade Agreements Program, Twenty-Ninth Issue, Introduction by Clayton Yeutter, United States Trade Representative, 1988

Challenge to World Agricultural Trade by Clayton Yeutter, The University of Illinois AT Urbana-Champaign Newsletter, International Agriculture Update, 1988, Vol. 3, No. 1

Foreward to Venture Marketing by Ambassador Clayton Yeutter, Washington's Best Kept Secrets, January 1988

Administration Policy and Actions Concerning Intellectual Property Protection Abroad by Ambassador Clayton Yeutter, The United States Trade Representative, Leaders Magazine, April 1988

Getting Tough is Right by Clayton Yeutter letter to Fortune

Magazine, July 4, 1988

A Bill to Raise the Cost of Your Clothing by Ambassador Clayton Yeuttere for The Washington Post, August 5, 1988 August 5, 1988

Having Faith in America's Export Competitiveness by Ambassador Clayton Yeutter, Export Today

A Special Message on Trade and Agricultural Research by The Honorable Clayton Yeutter, U.S. Trade Representative, The Journal of Agricultural Economics Research

A Free and Open World Trading System by Ambassador Clayton Yeutter, U.S. Trade Representative, Area Development

The Perils of Protectionism: A Self-Defeating Strategy by Ambassador Clayton Yeutter, Pacific Shipper Magazine

A Strong Message to Japan by Clayton Yeutter, U.S. Trade Representative

Unpublished Speeches

The Agribusiness Outlook - 1984 by Dr. Clayton Yeutter, President and Chief Executive Officer, Chicago Mercantile Exchange, Midwest Research Institute, Economic Conference, Kansas City, Missouri, January 10, 1984

Stock Index Futures at the Merc by Dr. Clayton Yeutter, President and Chief Executive Officer, Chicago Mercantile Exchange, Annual Meeting of the Swiss Commodity Industry Association, Geneva, Switzerland, January 21, 1984

Strategy for Transition: International Trade Policy by Dr. Clayton Yeutter, President and Chief Executive Officer, Chicago Mercantile Exchange, Keynote Address to the Feed Grains Council, Annual Board of Directors Meeting, Houston, Texas, March 5, 1984

The Outlook for U.S. Agriculture and Agribusiness by Dr. Clayton Yeutter, President and Chief Executive Officer, Chicago Mercantile Exchange, 1984 Annual Meeting of the American Agricultural Economics Association, Ithaca, New York, August 6, 1984

International Trade: How Do We Get It Done? by Dr. Clayton Yeutter, President and Chief Executive Officer, Chicago Mercantile Exchange, International Trade and Marketing Symposium, Ohio State University, Columbus, Ohio, October 16, 1984

Ambassador Clayton Yeutter, United States Trade Representative, World Economic Forum, Geneva, Switzerland, December 6, 1985

Testimony on U.S. Trade Policy, Directions for 1986, Ambassador Clayton Yeutter, United States Trade Representative, Before the Subcommittee on Trade, Committee on Ways and Means, U.S. House of Representatives

Oral Statement of Ambassador Clayton Yeutter, U.S. Trade Representative, OECD Ministerial, April 17-18, 1986

U.S. Objectives in the New Round of Multilateral Trade Negotiations, Summary of Testimony, Clayton K. Yeutter, United States Trade Representatives, Before the Committee on Finance, Subcommittee on International Trade, United States Senate, May 14, 1986

Ambassador Clayton Yeutter, United States Trade Representative, The National Press Club, Washington, D.C., May 19, 1986

Ambassador Clayton Yeutter, United States Trade Representative, The United States Chamber of Commerce, September 10, 1986

Opening Statement by Ambassador Clayton Yeutter, United States Trade Representative, September 15, 1986

Testimony on the Results of the GATT Ministerial, Ambassador Clayton Yeutter, United States Trade Representative before the Subcommittee on Trade, Committee on Ways and Means, U.S. House of Representatives, September 25, 1986

Ambassador Clayton Yeutter, United States Trade Representative, Nebraska State Bar Association, Lincoln, Nebraska, October 10, 1986

Ambassador Clayton Yeutter, United States Trade Representative, National Council of Farmer Cooperatives, Anaheim, California, January 28, 1987

Ambassador Clayton Yeutter, United States Trade Representative, National Association of Wheat Growers, San Diego, California, January 29, 1987

Testimony by Clayton Yeutter, United States Trade Representative, Before the House Agriculture Committee on H.R. 3, March 31, 1987

Testimony of Ambassador Clayton Yeutter, United States Trade Representative, before the Committee on Finance, United States Senate, April 2, 1987

Clayton Yeutter, U.S. Trade Representative, Remarks at American Stock Exchange Conference, Loy Henderson Conference, U.S. Department of State, Washington, D.C., Monday, June 22, 1987

Ambassador Clayton Yeutter, United States Trade Representative, National Corn Growers Association, Annual Meeting, Minneapolis, Minnesota, July 20, 1987

Ambassador Clayton Yeutter, United States Trade Representative,

National Association of County Agricultural Agents, Fargo, North Dakota, August 10, 1987

Ambassador Clayton Yeutter, U.S. Trade Representative, First Chicago's 41st Annual Correspondents Conference, Chicago, Illinois, November 23, 1987

Ambassador Clayton Yeutter, United States Trade Representative, Forty-third Session of the GATT Contracting Parties, Geneva, Switzerland, December 1, 1987

Ambassador Clayton Yeutter, United States Trade Representative, The National Press Club, Canberra, Australia, January 12, 1988

Ambassador Clayton Yeutter, United States Trade Representative, The International Conference, Tampa, Florida, February 19, 1988

Ambassador Clayton Yeutter, United States Trade Representative, International Sweetener Colloquium Annual Meeting, Tarpon Springs, Florida, February 22, 1988

Testimony of Ambassador Clayton Yeutter, before the Committee on Agriculture, February 25, 1988

Ambassador Clayton Yeutter, U.S. Trade Representative, Swiss Farmers Union, Zurich, Switzerland, May 20, 1987

Ambassador Clayton Yeutter, United States Trade Representative, Governor's World Food Conference, Des Moines, Iowa, June 6, 1988

Ambassador Clayton Yeutter, United States Trade Representative, Agricultural Product Quality and Competitiveness Conference, St. Louis, Missouri, June 29, 1988

Ambassador Clayton Yeutter, United States Trade Representative, American Agricultural Editors Association, St. Louis, Missouri, November 1, 1988

Ambassador Clayton Yeutter, United States Trade Representative, The Minneapolis Chamber of Commerce, Minneapolis, Minnesota, November 22, 1988

Ambassador Clayton Yeutter, United States Trade Representative, The 65th Annual USDA Outlook Conference, The Department of Food and Agriculture, Washington, D.C., December 1, 1988

Ambassador Clayton Yeutter, United States Trade Representative, Luncheon Address, National Press Club, Washington, D.C., December 2, 1988

United States
Office of Government Ethics
P.O. Box 14108
Washington, D.C. 20044

January 25, 1989

Honorable Patrick Leahy
Chairman, Committee on Agriculture
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Clayton K. Yeutter, who has been nominated by President Bush for the position of Secretary of the Department of Agriculture.

The report has been reviewed and advice has been obtained from the Department of Agriculture concerning any possible conflict in light of its functions and the nominee's proposed duties. In their letters of January 19 and January 24, 1989, respectively, which are also enclosed, Mr. Yeutter and the ethics officials of the Department have advised us that he will divest interests in RJR Nabisco, Philip Morris, and ConAgra, and that he will also refrain from certain types of involvements with respect to the farms in which he has an interest.

Subject to these commitments, it appears that Mr. Yeutter will be in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

Frank Q. Nebeker
Director

Enclosures

THE UNITED STATES TRADE REPRESENTATIVE
Executive Office of the President
Washington, D.C. 20506

January 19, 1989

The Honorable Frank Q. Nebeker
Director
Office of Government Ethics
Washington, D.C. 20415

Dear Mr. Nebeker:

The purpose of this letter is to detail the steps which I intend to take in order to avoid any actual or apparent conflict of interest between my personal financial interests and the duties I will perform if confirmed to serve as Secretary of Agriculture.

I have ownership interests in a number of parcels of farmland, comprising a total of approximately 2000 acres, located in Dawson County, Nebraska. My wife and my mother also have ownership interests in some of these parcels. The land is used for the production of corn and as grassland, and is currently operated by a tenant on a crop share basis.

I also have an ownership interest in approximately 200 acres of farmland located in Lancaster County, Nebraska, on which wheat, milo, and soybeans are produced. This acreage is also operated by a tenant with whom I have a crop share arrangement.

In order to avoid any actual or apparent conflict of interest arising from my ownership interests in the above-described lands, I pledge that, upon my confirmation to serve as Secretary of Agriculture, these lands will be operated by tenants on a cash lease basis. My only return from my ownership interest in these lands during my tenure as Secretary of Agriculture, therefore, will come from cash rents established at rates which reflect neither the market conditions for any of the crops produced or livestock raised on these lands nor the profitability of the farming operations conducted thereon. Such rates will also not exceed rental rates for comparable lands located in these Nebraska counties.

While the above-described lands have been enrolled in USDA's farm price support programs in recent years, in my name and the names of my tenants, I pledge that, during my tenure as Secretary of Agriculture, any enrollment of these lands in USDA's farm programs

will be in the names and for the sole benefit of my lessees. My only return from these lands will be in the form of cash rentals as described above, and thus no part of the benefit of enrollment in such USDA programs will accrue to me during my tenure as Secretary.

I will also refrain during my period of service as Secretary of Agriculture from all active management, and will render no personal services of any kind, in connection with any of the farm properties or agricultural operations in which I continue to own financial interests, or in return for any income which I receive from such operations during my tenure as Secretary. Further, I pledge to recuse myself from participation in any particular matters which may arise within the Department of Agriculture during my tenure as Secretary, regarding farming operations located in Dawson or Lancaster counties in Nebraska.

Based upon my service from 1978 through 1985 as President of the Chicago Mercantile Exchange, I have until recently received annual distributions from a deferred compensation plan known as the CME Special Fund Trust. In order to avoid any appearance of a conflict of interest as a result of my participation in and rights under the plan, I have taken an accelerated distribution in December 1988. This distribution exhausted any rights or interests I would otherwise have continued to have under the plan, and thus will serve to avoid any appearance of a conflict of interest which might otherwise have existed.

As a part of the accelerated distribution which I received in satisfaction of my interest in the CME Trust, I presently own shares in RJR Nabisco, which are being managed on my behalf as part of the Northern Trust Investment Management Account. Also, accounts being managed for my dependent children currently include shares of Philip Morris and ConAgra. Since all three of these firms, RJR Nabisco, Philip Morris and ConAgra, are widely diversified enterprises with substantial and varied agricultural interests and subsidiaries involved in production, processing, and distribution of agricultural and related products, I believe these ownership interests could give rise to an appearance of a conflict of interest. Therefore, I pledge that, upon my confirmation to serve as Secretary, I will divest myself of ownership interest in RJR Nabisco, and take steps as well to assure that the shares of stock in Philip Morris and ConAgra presently held by my dependent children are likewise sold.

I intend to recuse myself from participating in any particular matter which may have a direct and predictable effect, within the meaning of Section 208 of Title 18 United States Code, on my

financial interests. I also intend to recuse myself from participating, on a case by case basis, in any particular matter which, in my judgment, it is desirable for me to do so in order to avoid even the appearance of impropriety, despite the lack of actual conflict of interest.

I will also inform Department officials of my recusal policy, and I intend to direct my staff to advise me when any particular matter arises in which it may be necessary or desirable for me to recuse myself.

I believe that the steps I have outlined above will serve to avoid any actual or apparent conflict of interest between my personal financial interests on the one hand, and the duties I will be called upon to perform as Secretary of Agriculture on the other.

Sincerely,

Clayton Yeutter

CY:sm

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

January 24, 1989

Honorable Frank Q. Nebeker
Director
Office of Government Ethics
Washington, D.C. 20415

Dear Mr. Nebeker:

Enclosed is a copy of the SF-278, Financial Disclosure Report, submitted by Clayton K. Yeutter, nominee to serve as Secretary of Agriculture, which I have signed as this Department's designated official under the Ethics in Government Act of 1978. Also enclosed is Ambassador Yeutter's letter to you of January 19, 1989, detailing the steps which he intends to take in order to assure that there will be no actual or apparent conflict of interest between his personal financial interests and the duties he will perform if confirmed to serve as Secretary of Agriculture.

Mr. Yeutter has ownership interests in farmlands located in Dawson and Lancaster counties, Nebraska, on which corn, grasses, wheat, milo, and soybeans are grown. Mr. Yeutter's wife and mother also have ownership interests in some of those parcels. Mr. Yeutter has agreed that, during his tenure as Secretary of Agriculture, his only returns from his interests in such lands will be in the form of cash rents established at rates which do not reflect either the market conditions for the crops produced or the profitability of the farming enterprises, and which do not exceed cash rents received for comparable lands located in those Nebraska counties. Mr. Yeutter has also pledged that, during his tenure as Secretary of Agriculture, he will abstain from all active management of those parcels, such lands will not be enrolled under his name in USDA price support programs, and he will recuse himself from involvement in any particular matters which may arise within the Department regarding farming operations in Dawson and Lancaster counties.

Ambassador Yeutter has further agreed that, upon his confirmation to serve as Secretary, he will divest himself of his ownership interests in RJR Nabisco, and will take steps to assure that shares of stock in Philip Morris and ConAgra presently held for his dependent children are likewise sold, in order to avoid any appearance of a conflict of interest in connection with performance of his duties as Secretary. Finally, Mr. Yeutter has pledged as well to recuse himself from participation in any particular matter which may arise within the Department of Agriculture during his tenure as Secretary, in which he may be determined to have a financial interest under section 208 of title 18, United States Code.

On the bases of the steps he has agreed to take, I believe that Ambassador Yeutter's Financial Disclosure Report discloses no actual or apparent conflict of interest under applicable laws and regulations.

Sincerely,

William J. Riley, Jr.

WILLIAM J. RILEY, JR.
Director of Personnel
and
Designated Agency Official

cc: Ambassador Yeutter

C. Boyden Gray, Esq.
Counsel to the President

Mr. Riley

JMKelly:bjp:1/24/89

Editor's Note: The Financial Disclosure Report (SF-278) is retained in the committee file.

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

February 1, 1989

The Honorable Patrick Leahy
Chairman
Senate Committee on Agriculture,
Nutrition and Forestry
328A Russell Senate Office Building
Washington, D. C. 20510

Dear Mr. Chairman:

This is to respond to questions posed to me by your Committee staff last Friday concerning several items on my Form 278.

First, concerning the Roundup Resources asset on page 2, item #2, the company does not drill on forest service lands. If you wish to have documentation to that fact, I will be pleased to have the company provide it to you.

Secondly, I have taken out several CCC loans on grains, although I do not have the paperwork to provide the Committee as they have all been liquidated. I had a loan on corn in Dawson County, Nebraska in December, 1986 for $32,867. There was another loan on corn in December, 1987 in Dawson County for $26,978. Finally, there was a third loan of which I cannot find the actual documentation. That loan was taken out prior to 1986 on either wheat or sorghum in Lancaster County, Nebraska for approximately $3,000 or $4,000.

If you need any further information on these or other issues, I will be happy to provide them.

Sincerely,

Clayton Yeutter
Designate

CY:SN

February 1, 1989

Honorable Patrick J. Leahy
Chairman
Committee on Agriculture, Nutrition,
and Forestry
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

On January 19, 1989, I submitted to the Office of Government Ethics a copy of my SF 278, Financial Disclosure Report, required in connection with my nomination to serve as Secretary of Agriculture. That report contained all required financial information for calendar year 1988 and for the current calendar year through January 19, 1989.

The Ethics in Government Act of 1978, as amended, also requires that I update certain of the information reported on the SF 278, i.e., that required by section 202(a)(1)(A) of the Act, respecting income (other than dividends, interest, rents, and capital gains) and honoraria, to a date which occurs five days before the date of the hearing to be held by your Committee to consider my nomination for this position. The hearing to be held on my nomination is presently scheduled for Thursday, February 2, 1989. The purpose of this letter is to report that, as of January 28, 1989, I have received no income or honoraria in addition to those categories and amounts of income shown on my Financial Disclosure Report as dated and filed on January 19, 1989.

I trust that this letter satisfies the additional applicable reporting requirements contained in the Ethics in Government Act.

Sincerely,

CLAYTON K. YEUTTER

Editor's note: The Financial Disclosure Report (SF-278) is retained in the committee file.

The CHAIRMAN. The two standard questions we always ask: first if you are confirmed by the Senate, will you faithfully execute the laws passed by Congress regardless of any prior statements you have made or biases you may have held?

Ambassador YEUTTER. Certainly.

The CHAIRMAN. And if your nomination is approved by the committee and the Senate, will you promise to respond to requests to appear and testify before this committee or other duly constituted committees of the Senate?

Ambassador YEUTTER. I certainly will, and if I may, Mr. Chairman, I would like to add one point that I neglected to mention earlier. It is my intention to function with this committee on a bipartisan basis. In my judgment, agricultural policy is not partisan, should not be partisan, and it will not be partisan so long as I am here if I have any personal control over that process.

We should all be interested in trying to do what is best for this country in agricultural policy, and I do not see that as a partisan question in any way.

The CHAIRMAN. Well, I appreciate that and that is the way I have tried to run this committee. I am helped in that by the fact that the senior Republican on the committee is Senator Lugar who is recognized by Members of both parties as one of the finest Members of the U.S. Senate and one of the most competent. We have tried very, very hard to make sure that when this committee has gone forward on hearings it has been with the input of both parties, and I think that is one of the reasons why in the last 2 years most of the major issues, including some very contentious issues from farm credit to pesticide legislation, has gone through this committee virtually unanimously.

In your statement, I was particularly interested, and a number of people have mentioned international trade, and on page 4, you had talked about the Uruguay round and your other discussions, and you said, "In the coming weeks, we should discuss this issue further in a forum that will not telegraph our strategy to the world, and I look forward to doing so." I concur with that, and we will have the ability to have, if necessary, even closed door meetings on this.

But when I look at the budget that the outgoing administration sent up, I am rather distressed by it because when we look at world trade, I think that budget telegraphed to the world a unilateral disarmament or at least a willingness to unilaterally disarm on export markets.

Now in the budget there is some increase in EEP and there was not a reference to where the cuts might come from in agriculture, but the budget does specifically mention cutting income support. The Reagan budget before us would cut spending in agriculture from fiscal year 1989 levels by more than $20 billion over the next 5 years. And that is after we have already cut spending by about 50 percent from the 1986 levels.

So understand what that means. The corn target prices are slashed to $2.23 per bushel by 1994; wheat targets to $3.37 per bushel. Now if that is not telegraphing a unilateral disarmament, I do not know what is because it does not presuppose or couple it with anything on the part of our trading partners.

So I hope that you will send a telegram to the new President that we are not going to allow unilateral disarmament here. We have to resume the trade fight together. My question is this with that preface: you have negotiated with the Europeans. In fact, I have been there at some of those negotiations with you. If you were the Europeans, why would you not just hold your ground and wait for us to continue to cut our programs through our budget process rather than negotiate, especially if we are not able to put together a budget process which says we will do this only in step with them?

Ambassador YEUTTER. We do have to be terribly sensitive to that issue, Mr. Chairman, because we simply cannot afford to unilaterally disarm. The issue is much broader than simply budget, of course. But the budget questions you have raised are certainly a significant element thereof.

The only comment I would make on that is that out-year budgets are not terribly relevant because those decisions are subject to change, as the budgetary process unfolds, both within the executive branch and within the Congress. I did not have an opportunity to put any personal imprimatur on those out-year budgets. Hopefully, I will have some influence on that process once I am confirmed.

There will not be much opportunity to do so with respect to the fiscal 1990 budget because, as you know, the President is scheduled to give a speech to the Congress on that subject in the very, very near future. So most of those decisions are already made. But certainly there will be opportunities to affect overall budget numbers in other years, and even within the fiscal 1990 budget there will be some flexibility in which this committee and the Secretary of Agriculture in concert can have an opportunity to share views on priorities.

The CHAIRMAN. Well, please work not only with the committee but with the White House and OMB on this because I do not want to see our ability to push for strong competitive international trade, especially in one of the very few areas where the United States is consistently able to keep a surplus in trade. I do not want to see that ability for tough competitive trade undercut by budgetary considerations.

I think we can look first, at least my feeling as chairman of this committee is we look first at our ability to do the toughest and most competitive trade possible, and then having figured that, go secondly to the question of cost, both important, of course.

Another area, and one that has come up a great deal in the past few weeks, and questions that I am sure you anticipate and should be asked, you were president of the Chicago Mercantile Exchange from 1978 through 1985. That was a period of some very important changes and a lot of innovations in the futures industry.

We have all read the press reports of a recent FBI sting operation, and I will keep my questions based on what has been in the press. It appears that the FBI may have begun setting up its sting operation against traders on the CME and the Chicago Board of Trade and started it during the last year or so of your presidency.

I understand by the press that subpoenas were issued to exchanges that covered transactions back to the first of January 1983. So the question is were you aware as the Chicago Mercantile

Exchange president of complaints by futures market users that floor brokers were taking advantage of customers, giving them bad fills or cheating them on orders to buy or sell contracts, the kinds of violations that were apparently involved in this FBI sting operation?

Ambassador YEUTTER. Some of those kinds of complaints, Chairman Leahy, surface almost every week of the year, and they are brought before the appropriate disciplinary committee of the exchange. They are investigated and dealt with. So that is an ongoing compliance and surveillance process.

So it is not unusual to have those complaints. Many of them, most of them, in fact, proved to be fruitless. Some of them are from time to time proven to have validity in which case appropriate sanctions are applied to those against whom the charges are levied. That is simply a part of the regulatory process of any exchange.

And similar surveillance is provided by the Federal agency, the Commodity Futures Trading Commission, as you well know. I was not, however, aware of indications, any indications whatsoever, that this was a widespread problem. I still do not know whether it was a widespread problem. We cannot tell that until the results of the sting operation become generally known and until indictments are provided, if and when that should occur.

So I know no more than what I read in the newspapers as you do, and we will simply have to await the results of the investigation and the prosecution.

The CHAIRMAN. Were you aware of the FBI sting operation?

Ambassador YEUTTER. No, I was not. There was no contact by the FBI at anytime that I was there. We would have been delighted to have worked with them had a contact been made because no exchange wants to see wrongdoing on its floor at any time. We work much too hard to establish an international reputation. I believe we had a reputation at CME of great integrity internationally. That was reflected in the fact that thousands of people and firms throughout the world were using the institution and continue to use it today.

I would go on to make two points. One, if there be wrongdoing, it clearly should be punished. No one at the exchanges is going to defend wrongdoing of any kind. We increased the magnitude of our surveillance and compliance operations at the Chicago Merc every year during my tenure there.

But as you well know, one cannot mandate compliance with the law. There are people who breach laws in our institutions, no matter the institution. It happens in the U.S. Congress; it happens in the executive branch of Government; it happens in the business world. It happens in this country, and it happens in other countries.

That is regrettable, but it occurs. There are people who have ethical and moral lapses in this world. That has happened since the beginning of time. All we can do in our institutions, whether they be the Congress or the Chicago Mercantile Exchange, is attempt to identify wrongdoing and punish it accordingly. And obviously we must also attempt to exercise leadership that will discourage wrongdoing and dissuade people from engaging in it.

In that respect, I would simply say that it is important to keep this issue in proper perspective. As you know, Mr. Chairman, the Chicago Mercantile Exchange has a trading floor population of several thousand people, exchanging hundreds of millions of dollars each day on the basis of hand and voice signals, something less than even a handshake. It is truly remarkable that such an incredible amount of economic activity occurs on the basis of personal integrity. It is just a remarkable achievement.

From time to time we see incidents like this where the integrity of that process is tarnished, and that is most regrettable. But——

The CHAIRMAN. Well, what do you do when, you mentioned for example in your own presidency of CME that you had procedures you took. First, make sure I understand your testimony. You said that on a pretty regular basis, complaints would come up. You would look at them, many proving groundless. But some did not.

Ambassador YEUTTER. Yes.

The CHAIRMAN. That is without going into a specific case. Let us take one where it comes in and it turns out that a complaint has been made, investigated by the CME, and it turns out that that particular one is somewhat similar to the things we are talking about in the paper, where people have traded in such a way that the customer is disadvantaged. And as you know, even a matter of a few cents in the number of contracts being traded can be fairly significant.

What would you do if you found one of those and did you have occasion to find some of those and what did you do?

Ambassador YEUTTER. I do not recall the specific incidents anymore, but one can easily verify the compliance records of the exchange through the years. If and when those kinds of issues or any other disciplinary issues came to the fore, it would either be through someone reporting them or they were discovered through actions of our own exchange compliance staff.

In either of those cases, whatever the source of the complaint, it would be taken to a disciplinary committee, and if the conduct were determined to be a violation of the rules of the exchange—and trading ahead of a customer is a violation of the rules of the exchange—then it would be punished accordingly.

The punishment is determined by the disciplinary committee that is involved, subject to being evaluated and critiqued by the Commodity Futures Trading Commission. In other words, if the Commodity Futures Trading Commission, the Federal regulatory agency, deems the action of the exchange to be inordinately mild, the Commission can take its own action which could or might be more harsh.

All of the disciplinary actions taken by the exchange are subject to surveillance, evaluation and critique of the Commodity Futures Trading Commission.

The CHAIRMAN. Like everyone else, I will have a pile of questions, many of which will be submitted for the record. I do not want anybody to feel I am not interested in the areas of global warming, school lunch, and dairy and rural development and so on.

But if I can ask one more question before I yield to Senator Lugar. In the financial disclosure report, your forms indicated deferred compensation of $562,000 from the Chicago Merc in 1988, a

short-term loan of over $250,000 at prime interest rates from the Chicago Merc that was received and paid off in 1988. Two part question: what was the nature of the deferred compensation and was the amount of this compensation in any way dependent on the annual performance of the exchange?

Ambassador YEUTTER. The answer to the latter question is no. Mine was a traditional deferred compensation program. Thousands of people in this country have deferred compensation programs. They have been permitted under the law for a long, long period of time. This was compensation that was deferred during the 7 years that I functioned as president and chief executive officer of the Chicago Mercantile Exchange.

Subsequent to my departure from the exchange, and even during most of the time I was at the exchange, the program was administered by Northern Trust, which is one of the largest banking institutions in Chicago.

The deferred compensation laws permit a participant to borrow from one's deferred compensation program if one wishes. I took advantage of that privilege because, in essence, one is borrowing from oneself.

That was done in accordance with advice of tax counsel and fully worked out with Northern Trust. It should not be of any relevance in this proceeding. Liquidation of the deferred compensation program took place in 1988, again totally unrelated to this activity. There would be no conflict of interest in continuing the deferred compensation program because it was administered by Northern Trust and totally unrelated to the exchange.

The CHAIRMAN. That is, of course, obviously the crux of the question. None of it was dependent on annual performance. If the exchange did good or did well or did poorly, the amount was not going to change?

Ambassador YEUTTER. No, that was of no relevance because the amounts involved were amounts that were paid over to Northern Trust as I earned them while I was at the Chicago Merc.

The CHAIRMAN. Thank you very much, Mr. Ambassador.

Senator Lugar.

Senator LUGAR. Ambassador Yeutter, as you know, the Conservation Reserve Program, or the CRP, has a goal of reaching 40 to 45 million acres of farmland ideally. To date approximately 28.1 million acres have been retired and there is some concern as to how difficult it may be to reach the goal of 40 to 45 million.

Let me simply ask: Would you favor broadening eligibility for CRP acres to include other means of environmental protection beyond filter strips, cropped wetlands, and scourlands which have already been made eligible for CRP? Can you give us your judgment, first of all, about the energy with which you would pursue the CRP; and then give some hope to those of us who are interested in that program and in the environmental aspects of it, of what your policies might be?

Ambassador YEUTTER. Well, first, Senator Lugar, I would like to give a general comment with respect to the CRP program and that would be by saying that I am a very strong proponent of the concept of a conservation reserve. I have been all my life. The committee does not know this, but I had one of the early Conservation Re-

serve contracts on my farm more than 30 years ago, in which I took land out of production that should never have been in production, and put it into grass.

That was a 10-year contract, as are the ones today, but it is now more than 30 years later, and that land is still in grass, as it should be and it now probably always will be. So it seems to me we get substantial benefits from the CRP program. It helps us on surplus removal by taking some land out of production in a way that contributes to that objective if and when we have surplus problems in this country.

But it does so in a way that also contributes to conservation and other environmental considerations. So I would like to see the acreage increase, Senator Lugar. How we should best do that is another question. I want to look at that very carefully before making any specific commitments.

There is no doubt we need to achieve the kind of environmental and water quality objectives that you just articulated. The question becomes whether one can best do that through the CRP program or through other programs. We have some tradeoffs in that area and we need to find the most cost effective way of achieving the environmental objectives.

In some instances, the CRP program may be the most cost effective way, but in other cases, there may be preferred ways to do it in other programs. I would rather not make that determination in the abstract. We have to do that with respect to concrete issues.

Senator LUGAR. As one of the concrete issues, would you be in favor of exploring ways in which farmers and landowners who wish to put acreage into CRP might be stimulated to plant more trees on that acreage? One of the goals of CRP was to have as much as one-tenth or an eighth of that acreage in forest, in hardwood trees preferably, to help the stock of trees in our country. And that objective has not been realized by far.

One point often made is that it is not clear to farmers and landowners that economic return from a walnut stand or an oak stand, or what have you, will pay off. And some originality and creativity may be required. An old problem but one to which I hope you will give some thought because it seems to me important, not only in terms of agriculture but in terms of the overall environment and the wood inventory situation in our country.

Ambassador YEUTTER. I noted in reviewing this program, Senator Lugar, that it has not been realizing its objectives in the tree planting arena, and I hope we can find ways to do that. That is somewhat difficult for me to concentrate on as a Nebraskan because we do not grow a whole lot of trees out there.

And I am not sure we can stimulate significant tree plantings in the Plains States, no matter what we do with the Conservation Reserve Program. Perhaps there are some possibilities of which I am not now aware. But certainly we ought to be able to encourage plantings in many other parts of the country, which would be a most laudable objective.

So I would be pleased, Senator Lugar, to evaluate that issue too just as soon as I am onboard.

Senator LUGAR. Last year during consideration of the FIFRA amendments, temporarily laid aside were ground water issues.

Those will recur this year. Is it your intent, from the standpoint of the Department, to take the lead and present to the committee draft legislation of objectives for how we might ensure safe groundwater supplies. Or, is this an issue in which we will have to wait for the legislation to arise in the committee and you will attempt to make a comment at that point?

I suppose I simply want to test whether this is an issue on which you feel deeply and are prepared to offer leadership from the beginning.

Ambassador YEUTTER. Well, there is no question, Senator Lugar, that both of us are going to have to provide leadership in this area. I observe that from my conversations with all the members of this committee prior to these hearings. There is a great deal of interest in the water quality question.

I also observe it from the letters that have come in to me in the last 30 days since my nomination was announced. It is clear to me from these and other sources of information that groundwater issues are going to be a high profile area of concern for all of us. Now, as to how we can best exercise leadership, if it is appropriate for the Department to come forth with legislation, we will do so.

I hope we can work with the committee, however, in developing the concepts that might be encompassed in such legislation because this ought to be a joint effort. We are going to be in this issue together for years to come.

Senator LUGAR. In the proposals made by President Reagan in his budget submission, once again the income subsidies for the upper income Child Nutrition Program have been eliminated. That has been a frequent request by the President. The committee, as a rule, has taken a look at the situation from the standpoint of whether the concerns of school food service people would be realized; namely, that school lunches would be abandoned in many schools due to the clerical problems or due to the lack of fundamental support in those school systems.

Will you take a careful look at that situation once again because clearly it will be coming before the committee as we try to examine the maintenance of school lunches, particularly as they pertain to children who are poor and who might be without programs without the addition of the upper income group?

Ambassador YEUTTER. I will do so, Senator Lugar. That is a problem with which I have considerable familiarity based upon my earlier days at USDA because I had those food programs under my wing for a time. We went through that same analysis and debate back in the 1970's, as the cost of the school lunch programs began to mount. And it seems like déjà vu for me to find that debate still underway here a dozen years or so later.

It is unfortunate that we have not had more experience in dealing with that question in the interim so we could have a better evaluation based upon historical performance than we do today. Unfortunately, we do not have a lot of information on which to base such decisions.

I looked at the numbers cursorily, Senator Lugar, and what it indicates, as you know, is that the median income level of the parents of the students in that particular category is about $39,000 a year.

If one ignores for a moment the potential impact on the other elements of the National School Lunch Program, when we all look at budgetary priorities we have to question the wisdom of providing subsidized school lunches to children from families with median incomes in the $39,000 per year bracket.

The question, however, to which you are intimating, Senator Lugar, the more relevant one in the administration of the program is what will happen if that subsidy is withdrawn? Will enough young children stop eating school lunches so that some of the programs might not be cost efficient anymore and have to be abandoned?

That is the policy question that arises. I will take another careful look at it, as soon as I have an opportunity.

Senator LUGAR. As you know, Congress has attempted, along with the administration, to resurrect the Farm Credit System, and you will be one of the members of the Board that the legislation established to take a look at the parceling out of assistance money. Thus far, it would appear the act has worked well despite dire reports to this committee that $4 billion, maybe even $6 billion or $8 billion of taxpayer funds be required.

That figure is yet sort of in the $1 billion ballpark, plus or minus a few million one way or another, and may grow to something higher if we are not thoughtful about it. What views can you give the committee on your expertise in this area? Specifically, will you be an active participant or your designee in the control process? Do you understand the dilemma, at least, that we faced, and is it your judgment that we are going to be able to escape any further Federal liability under conditions as you now see them?

Ambassador YEUTTER. I understand that situation quite well, Senator Lugar, because I sat on the Economic Policy Council as we deliberated that question when these institutional changes were put in place to try to alleviate the conditions. I was not close to the issue, but I was sufficiently involved to be generally knowledgeable about it.

I agree with your assessment, Senator Lugar. The situation has turned out much better than most people thought. We are certainly not out of the woods because we have some institutions in fragile financial shape, but it is a much improved situation over what it was a couple of years ago. A lot of that is, of course, related to the fact that farmland values have leveled off in most parts of the country, and farm income has improved substantially in a good many places.

So although it is a very difficult question, my view would be that if we all do our jobs well, and if the farm economy continues to do as well as it has this year and hopefully a little better in the future, the situation will not get out of hand and we ought to be able to manage it.

So I will take an active role. I may delegate some of that responsibility to the Deputy Secretary, as has been done on occasion in the past, but I will make that judgment call as time unfolds.

Senator LUGAR. Congress last year enacted FIFRA legislation. Now it is critically important that we move rapidly to reregister those compounds that are most in use in product formulations. Do you pledge to work personally and actively with the EPA to make

certain that the goals we anticipated, namely the testing or retesting of the 600 active ingredients, be expedited?

Ambassador YEUTTER. I certainly will, Senator Lugar. I know Bill Reilly who has been nominated to head EPA. My judgment is that he will do a fine job, and that he will be easy to work with. When I was at USDA in the 1970's we had an excellent working relationship with EPA. I hope we can reestablish that relationship if need be in any area. I trust it is a sound working relationship already and we simply need to cultivate and sustain it.

There should be no problem from our standpoint in working with the folks at EPA.

Senator LUGAR. One final question, Mr. Chairman, as a followup to those asked by others regarding flexibility in the farm program. We discovered last year, and Congress in the drought legislation took advantage of that opportunity to note, that there was heavy public demand for oats and certainly a substantial public demand for soybeans, but, because of program provisions, increasing plantings of these crops was not an attractive option for farmers who were planting.

Farmers will have options to a greater extent due to the amendments made. Will you examine that situation? Oats and soybeans may not be the only instances in which unintended effects of trying to maintain farm income through the current farm program may have tried to maintain income but have sort of restructured the market, and as a result we have people making choices in terms of planting that do not make sense in terms of our needs as a country.

There may be other instances. Are you prepared to examine the program and offer at least small changes that might bring greater flexibility than the current situation?

Ambassador YEUTTER. Yes, Senator Lugar, because in the days when I was operating my own farm unit in Nebraska with full management responsibility for it, one of my constant peeves was that I did not have the flexibility as a manager that I preferred to have. I was locked in by the parameters of the farm programs, and were those parameters not present, I knew I would do things much differently.

I have remembered that through the years, and I would like to see us run farm programs in such a way that we give farm operators maximum flexibility in doing what is best for their own operations in terms of maximizing efficiency.

Now the caveat, as you well know, is that sometimes there is a cost attributable to increased flexibility. And at a time of $150 billion budget deficits and very difficult budgetary constraints at USDA, we have to weigh that additional cost, if there be any, against the benefits that might be achieved.

If we can design farm programs for increased flexibility with little or no alteration in cost to the Federal Government, we assuredly ought to do it. I believe it was Senator Bond who earlier raised the question of soybean production, a very relevant part of this issue. We are losing market share internationally in soybeans today simply because we are not getting them produced. And all of us know that once we lose market share internationally, it is very

difficult to regain. We need to be especially sensitive to that question.

Senator LUGAR. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Lugar. And just so that people can plan, my intent would be to give everybody on the first round 10 minutes of questions and break at noon—and return at 1:15 so that obviously if anybody has not had a chance to ask questions before we break at noon could come back at 1:15 and we will just continue going around until everybody has a first round and then go to the second round.

Senator Heflin, sir.

Senator HEFLIN. Dr. Yeutter, you, of course, were the Trade Representative and were involved in Montreal in some negotiations which were unsuccessful pertaining to section 22 during the GATT talks, but I understand that the European Community will file a challenge to the existing GATT waiver on section 22.

Do you believe that the administration plans to vigorously defend this provision, and what do you believe that the U.S. position will be to this challenge, and how does this challenge affect the U.S. position in current GATT negotiations?

Ambassador YEUTTER. It is a complicated issue, Senator Heflin, but I will try to give a quick answer to it if I may, and I would be happy to embellish upon it at later time if you wish me to do so. First of all, with respect to the Montreal discussions and the Uruguay round, I want to assure you and members of the committee that we are not about to abandon section 22 or any other import constraints here in the United States unless we are satisfied that we have a satisfactory quid pro quo in other countries by virtue of their abandoning import restrictions, thereby giving us additional export opportunities.

In other words, this is a horse trade. It is a trade that will not be made until the end of 1990 at the conclusion of the Uruguay round. It is too early to know whether there will or will not be any changes in section 22 in the context of the Uruguay round. There could be, but that depends on what our trading partners offer.

To be more specific with respect to what is happening right now, because that is really the heart of your question, Senator Heflin, the European Community has mounted a challenge against section 22 in the GATT. In other words, they have filed a GATT complaint challenging the validity of our section 22 import quotas.

As you may recall, our section 22 restrictions have been justified on the basis of a waiver that the United States obtained for those restrictions many, many years ago. That waiver was intended to be temporary, and of course, the argument of the European Community in this case will be that "temporary" has passed and that the United States can no longer justify having these restraints in place.

The U.S. Government will vigorously defend that case. This will be done in the Office of the U.S. Trade Representative, my old haunts, rather than at USDA. But there is no doubt in my mind that the case will be vigorously defended by USTR.

At the moment, it is not a case at all because we have blocked formation of a panel to examine our section 22 quotas. The reason we have blocked formation of a panel is because the Community

has been unwilling to permit our complaint against their soybean processing subsidies to move forward.

Our view, Senator Heflin, is that their complaint against section 22 was provided simply out of pique over our having submitted a complaint against their soybean processing subsidies. And what we said is that as long as the Community is unwilling to permit our case to move forward, we are not about to permit their case to move forward.

The consequence of that is that both of them at the moment are in limbo, and they will stay that way until and unless the Community moves in a proper way on the soybean complaint.

The upshot of that, Senator Heflin, is that there really is not anything to worry about on the part of our industry at this point in time. And I do not really think there will be anything to worry about in the long run either except the possibility of having a trade-off between changes in our section 22 program and export opportunities that we might have in other countries. That is almost 2 years in the future and no one will be blindsided on the issue. There will be ample discussions of those potential tradeoffs with the relevant industry groups and with this committee before any deals are struck.

Senator HEFLIN. We have looked at recently rural development, the committee, with Senator Leahy's leadership on trying to get something started on rural development. And we of course, have seen a substantial decline in the rural development. What is your feeling toward rural development during the upcoming 4 years?

Ambassador YEUTTER. Senator Heflin, we have to devote considerable attention to that. And I mean we, USDA, and we the Senate and House Agriculture Committees. That is obvious, and the reason is that our rural communities have decided, after harsh experience in recent years, that rural development ought to be a priority.

We have so many rural communities that are totally dependent on production agriculture or, as Senator Conrad said, in some cases on energy, and what we have had in recent years is a lot of economic travail in both. That has been true not only in North Dakota, but in States like Oklahoma as well, and of course, you have experienced it, Senator Heflin, in the South, as well, where elements of production agriculture have been in a lot of trouble.

I think people in small towns today—and now I am talking about people who live in small towns in contrast to people out on the farm—have begun to recognize that they simply cannot be totally dependent on the economic well-being of production agriculture. Or putting it another way, it is simply not prudent to place themselves in a situation of that vulnerability. Therefore, if we can do some things to diversify income sources in rural communities throughout the Nation we will have made a tremendous contribution to the stability of those communities and to their overall economic well-being.

The question is how do we get that done, Senator Heflin, with very limited budgetary resources? It seems to me that the stimulus and the initiative for rural development programs should properly come from the local areas, and must come from those local areas,

both from the people themselves and from local and State governments.

The Federal Government cannot do everything for everybody, and we should not attempt to do so in rural development. But we can be helpful. We can be catalytic. We can coordinate efforts. We can provide technical assistance. We can provide financing help. There are a number of roles that the Federal Government can play without spending billions of dollars.

We are simply not going to have the billions of dollars. So what we are going to have to discern, here in this committee and in USDA, is how we can be of help to local communities while neither providing all of the financial assistance that is required, because we simply will not have it available, and while also avoiding taking over control and management of these programs.

I am a great believer in local government, Senator Heflin, and I know you are, too. So we need to keep the primary responsibility at that level, and we need to provide a helping hand at the Federal level.

Senator HEFLIN. Following up on that, which gets into another one of rural electrification. Exactly just about 1 year ago I and 40 other Senators sent a letter to Secretary Lyng urging him to establish a small 10 person economic development group in the Rural Electrification Administration.

This group would be established within the existing funding levels and its purpose was to encourage rural electric and telephone systems to become more deeply involved in local development efforts. I do not think there is any question that rural electric and telephone systems would have been encouraged to do so using their own talents and resources.

Mr. Lyng responded that this was fine; that the rural electric systems had an important role, had a good track record, and this was in keeping with the idea of local control. But nevertheless, he did not do so. And I think the conclusion was reached that Mr. Lyng's response was based on an ideological opposition to the REA program and was not based on the merits of the case.

Now there is still a strong belief among some people that REA should be diminished and it should not have a role in the economic development. I hope that you and the other members of your administration will place our letter of last year at the top of your list in the consideration of your term as Secretary of Agriculture.

I think REA is here to stay. And there are certain items that they can encourage local development. And this would be an excellent example with probably no cost at all involved and certainly would not call for appropriation. But I really feel that we ought to go ahead and accept the fact that REA is here and I hope that that will be your attitude.

Ambassador YEUTTER. Thanks, Senator Heflin. Just a quick response to that because I know that time is expired. I have been an REA user all my life so I am very familiar with REA programs. I am not familiar with your proposal, Senator Heflin. I will be happy to take a look at it at an early opportunity. I would like to wait and do so after we get our team in place in that part of USDA so that they share in that evaluation. But we will try to get a prompt

response back to you as a reconsideration of what you have suggested.

Senator HEFLIN. Is my time up? I have one more question. I suppose you are aware that the egg industry in Great Britain is in a crisis today over salmonella variety. And there are current estimates that it could cost the egg industry in Great Britain as much as 200 million pounds which in dollars would probably be around $300 million or more.

I hope that you will give your attention to addressing this issue in regards to the egg industry and also, of course, the matter of some type of approach toward treating of various flocks that might be happening. On the other hand, we have had some efforts made which could have been destructive of the poultry business.

And there is a balance there that we ought to have. But I do not know whether this thing is a danger, but in Great Britain it has certainly already become a serious crisis there relative to that. Do you wish to comment on that?

Ambassador YEUTTER. I have reviewed the briefing materials on that already, Senator Heflin, and obviously our domestic egg industry is very concerned about the potential risk to their economic futures that may be involved.

The agencies within USDA that are involved in this area are all agencies which were under my jurisdiction back in the 1970's, so it will not be difficult for me to talk with them now and determine whether we have a sound game plan for dealing with that issue.

I will do so, Senator Heflin, and will be glad to coordinate with you because I know this is a tremendously important industry to you.

The CHAIRMAN. Thank you, Senator Heflin. Senator Helms.

Senator HELMS. Thank you, Mr. Chairman. I was one of those that went to the National Prayer Breakfast this morning, and it is a good thing because it was time for prayer to try to crack that gridlock out there.

The CHAIRMAN. Did you pray for me, too, Senator Helms?

Senator HELMS. Absolutely. Always. First thing in the morning.

The CHAIRMAN. Thank you.

Senator BOSCHWITZ. No noticeable effect.

Senator HELMS. Oh, it has worked out pretty well. Mr. Chairman, I do ask that a statement about Clayton Yeutter be included in the record with the other statements, if you will?

The CHAIRMAN. Certainly, and in the proper order.

[The prepared statement of Senator Helms can be found on page 19.]

Senator HELMS. I just have a couple of questions. The first: will you describe Mrs. Yeutter's reaction when she found out you were going to take the toughest job in government?

Ambassador YEUTTER. I will tell you what she said. First of all she concluded it must be temporary insanity! Then her next reaction was, "Why don't you pick an easy Cabinet job someday. Why do you always want to accept these brutal jobs?"

Senator HELMS. Well, I think she is about right on that, but thank you very much for letting him do it. I have known Clayton for a long time. He is a man of impeccable integrity, and I will say this, you may have critics elsewhere, Mr. Secretary, but you do not

have them in North Carolina. The farmers are grateful to you for what you did for them in terms of the number one crop in North Carolina as a Trade Representative. And I convey to you their thanks, and I convey to you my own thanks.

I have only one question. Dick Lugar asked two or three that I had in my mind. A lot of people out there across America-land are concerned about what they perceive to be the abuses of the payment limitation program. Do you have any ideas how to solve that and alleviate the concern that exists out there?

Ambassador YEUTTER. Thanks, Senator Helms. First of all, may I say to you that I thought Senator Simpson gave a magnificent message at the prayer breakfast this morning. I wish everyone in this room could have heard it.

Senator HELMS. It was excellent.

Ambassador YEUTTER. With respect to the payment limitation issue, as you well know that has been a problem that has plagued farm programs for many, many years. When I was here back in the 1970's, in the position that is now Under Secretary for International and Commodity Affairs, we were wrestling with that question. People have wrestled with it ever since.

I do not believe there are any easy answers to it. But clearly, as we move toward consideration of the 1990 farm bill, we have to resurrect the debate once again internally and with all of you and discern whether there are any ways in which we can deal with that question in a more effective way.

There is substantial financial motivation for adjusting one's operation in such a way as to avoid the constraints of those limitations, and the Department and ASCS continually attempt to preclude that from occurring. But people are creative and innovative in finding ways to circumvent the rules.

Senator HELMS. So are bank robbers.

Ambassador YEUTTER. Yes, that is right. And the Internal Revenue Service experiences similar challenges to its regulations as people work on their tax planning. So it is the same concern in many places when money is involved.

Senator HELMS. But you know who complains the most. It is the honest farmer out there, or maybe he is the uncreative farmer. He may wish that he had thought of doing that, but they know when their neighbor down the road 5 miles has divided up his farm into five different entities and then gets 50,000 bucks a piece. We need to send some sort of signal that this has got to stop.

But you are right. How do you put the genie back in the bottle once you get into this thing? But I think, Mr. Chairman, that all of us on the committee will want to work with the Secretary. Certainly I will. And try to come up with some sort of reasonable, fair, equitable, constitutional way of doing this thing. But it is a problem and it puts a blemish on the entire farm program.

Ambassador YEUTTER. Well, it is a reflection on the integrity of the people who are involved.

Senator HELMS. Yes.

Ambassador YEUTTER. And in addition, of course, it costs the American taxpayer money.

Senator HELMS. You better believe it. A bundle of it. Well, thank you, Mr. Chairman. I will yield back the balance of my time.

The CHAIRMAN. Thank you, Senator Helms. Senator Conrad.

Senator CONRAD. Thank you, Mr. Chairman. As the U.S. Trade Representative, you advocated a position of eliminating all subsidies by the year 2000. Now you are in the position of administering those very programs. Do you recall me asking on several occasions for any studies that might exist on the effect in this country of the elimination of all subsidies?

Ambassador YEUTTER. I remember that very well, Senator Conrad. You have raised that question on a number of occasions, probably going back a year or more. I do not recall the exact timing, but the question is a legitimate one.

To the degree that we make adjustments in American farm programs as a result of the negotiating process, we have to know what the tradeoffs are and what the cost-benefit relationships are. We do not need to know that quite yet, but we surely need to know when we start to strike deals.

Those deals are going to be struck beginning a year or so from now as we move into 1990 and toward the end of 1990 when the negotiations are to conclude. So basically we have about a year or so to get a lot of analytical work done so we have as good an understanding as possible of what the tradeoffs are going to be.

I wish we had more of that information now. I do know that the Economic Research Service at USDA has done some work in this area. There has been some done by other institutions. For example, some of our land-grant colleges have worked on specific problems. We have had private sector research entities work on some. We know that has been done on sugar, for example. And of course, the OECD in Paris has done some analytical work too.

The Australians have done quite a bit because they have been interested in this, but we have to have a whole lot more work that would be product specific and program specific as we move through the negotiating process.

I would only add, Senator Conrad, just to clarify, that I have never suggested that we do away with all subsidies. The term that I have always used is "trade distorting subsidies," and there is a very substantial difference between the two.

Our European friends like to accuse me of asking for the elimination of all subsidies because they can then say how unreasonable they perceive that to be, but that has never been our position.

Senator CONRAD. The analysis that you have just referred to that has been done in USDA, are you familiar with what the conclusion of that analysis is in terms of effect upon producers?

Ambassador YEUTTER. I have not read that report. I have seen a one-page summary or headline which indicates that it would be disadvantageous to the United States in a number of areas to move toward a free and open trading system. I am not prepared to accept those conclusions unless I know what the assumptions were because, as the negotiator, I am going to provide the assumptions.

My assumptions may be different from theirs. So I have to take any evaluations of that nature with a grain of salt at this stage because the final assumptions are not yet determined. There had to have been some hypotheses; that is necessary in all research. But the hypotheses may not be appropriate.

Senator CONRAD. Let me just pursue this. Given the fact that I had asked for any studies or analyses done, and the fact that apparently such an analysis does exist, that there has been some study done, why was that not shared with me and other members of the committee?

Ambassador YEUTTER. I cannot tell you that. That is a Department of Agriculture effort so I cannot give you that answer, Senator Conrad.

Senator CONRAD. Well, I had asked you as the U.S. Trade Representative if any studies had been done, asked for them to be shared with me and the members of the committee, and when I learned that, in fact, such analyses existed and had not been shared, I was a little disappointed because on at least two occasions I think the record will show, I asked very specifically if there was such an analysis, and if at any time such analysis became available that it be shared with me and with members of the committee. And I must say I was disappointed to find out inadvertently, I might say, that such an analysis does exist and wasn't shared by your office with me or the members of the committee.

Ambassador YEUTTER. It has not been shared with me either, Senator Conrad. And to my knowledge, it has not been shared with USTR. I could be wrong about that. Maybe somebody on the USTR staff has it, but I have never seen it.

Senator CONRAD. Would you be willing to share with us promptly the analysis that has been done so that we would be able to represent our constituency in further policy decisions that we make?

Ambassador YEUTTER. I certainly would be amenable to doing that, Senator Conrad, provided I am convinced after I see the study that sharing it would not mislead people. In other words, I do not want to put out a study that will lead people down the wrong path in this area. I am not concerned about the outcome, that is, that it may suggest that some segments of American agriculture will come out with a negative position at the end of the process.

If that is so, we ought to surface it and people ought to know what the tradeoffs are and understand them if we are going to proceed. So I have no hesitation in terms of the outcome of the study, but I do want to look at that study to see whether I believe the underlying assumptions should have been used. If they are totally off-base we will mislead everybody by surfacing the study. But I cannot answer that question today.

Senator CONRAD. Mr. Chairman, if I might, given the fact that these studies apparently have been done with public money, were done by USDA economists, I would like to see what they have come up with. As far as I know, these are the only studies that have been done that tell us the effect on producers. I am told that they conclude that producers would be hurt in this country, and that my producers would be hurt.

I would very much like to see these studies that have been done, and have a chance to evaluate and have people on my staff who have the technical expertise to evaluate them have a chance to determine for themselves whether or not the conclusions are appropriate.

Ambassador YEUTTER. Well, I would like to defer final decision on that, Senator Conrad, until after I have had a chance to read it.

But I believe in transparency, and I do not believe in hiding studies that are done with public moneys. I would like to give it to you, but I would also like to make sure that it is not something that is completely off-base.

Now if it is off-base in terms of the assumptions that are used, then we might want to add an explanation of that so that people do understand what is there and release it in any case. But I find those conclusions rather difficult to defend conceptually. It just seems to me that that suggests that we are not internationally competitive and I find that very hard to believe, and that is why I wonder about the assumptions.

But I will look. I will be glad to come back and talk to you about it very soon.

The CHAIRMAN. If I could on my time, Senator Conrad, note even if you feel it is off-base, I think Senator Conrad raised a very legitimate question in asking to see these reports, and I think I would rather, from your point of view, provide him with the report. If you disagree with it, have a cover memo saying how and why you disagree. We are fairminded people here and we will pay attention to that.

Otherwise, his alternative is simply to request it under the Freedom of Information Act, which he could, and as chairman of the committee I would support him in that request.

Ambassador YEUTTER. That is fine.

Senator CONRAD. I thank the Chairman for that. It is terribly important to us, as we debate these policy options, to know, to have the best information we can in trying to determine what we ought to do, what is in the interest of our country. If I might just follow up, Clayton, with this question. In your judgment is there any point at which the needs of domestic producers take precedence over international trading concerns?

In other words, do you believe that capturing the export market should be accomplished at any cost even if that means lowering the standard of living for U.S. farmers and ranchers?

Ambassador YEUTTER. Well, it is very difficult to answer that question in the abstract, Senator Conrad, because the marketplace is totally integrated and interrelated today, and I am not sure one can properly respond to that query. But I will try to do the best I can.

Obviously what we hope when we expand agricultural exports is that that will turn out to be a benefit to our local agricultural communities, not a detriment. Ordinarily that should be the case. Now it may be that we have to do some things that in the short run would be considered to be detrimental in order to obtain increased market share and an improved position in the longer run.

Sometimes we have time tradeoffs between the short and the long run, and I would hope that most farmers would say that they would be most interested in the long-term economic well-being of their families and their communities rather than the short run. If they have to pay a price in the short run through the use of a costly export subsidy program, for example, to challenge the subsidy programs of another nation, they would be prepared to pay that price.

But those are all difficult policy tradeoffs that the Secretary of Agriculture has to make essentially every day of the year. They are extremely complicated. It is hard to answer that question without looking at concrete cases.

Senator CONRAD. Mr. Chairman, might I just follow up on that very briefly?

The CHAIRMAN. Sure.

Senator CONRAD. Clayton, if the studies that have been done that I have alluded to earlier, once you have had a chance to review them, lead you to conclude that they have been done appropriately, and those studies, in fact, reveal that if we are to eliminate all subsidies, producers in this country would be hurt, some producers hurt severely perhaps, would you then pursue, continue to pursue, an advocacy of eliminating all subsidies over the time that has been previously argued?

Ambassador YEUTTER. Well, as I said earlier, Senator Conrad, I have never said that we should eliminate all subsidies. We are trying to deal in these negotiations only with subsidies that distort international trading patterns. In my judgment, there are ample ways for us to help farmers if we wish to do so without violating either existing GATT rules or GATT rules that will very likely be negotiated in the Uruguay round.

In other words, at the end of 1990, if we finish the Uruguay round with an agreement on major disciplines in the way international trade in agriculture is conducted, I do not in any way fear that that agreement will preclude us from providing income supports to farmers. It may mean that we have to do it in ways that are somewhat different from the way we do today because that is a part of the negotiating process.

But there is no reason why we should not or could not help your farmers in North Dakota or any other farmers in the United States through income support programs.

Senator CONRAD. Thank you, Mr. Chairman, for the additional time. In my next round I want to follow up directly on that point.

The CHAIRMAN. Thank you very much. We will go to Senator Cochran now. So people can plan, Senator Cochran will be the last one to question before we break for lunch. I said we will come back at 1:15. We will come back at 1:20 to give a little bit more time. Thad, it is all yours.

Senator COCHRAN. Thank you, Mr. Chairman. Mr. Secretary, stability in farm income is one of the major objectives of our farm programs and not just the income support program under the Commodity Credit Corporation, but there are other types of programs that really help us move toward a stable farm economy. Marketing orders help stabilize availability in supply of quality products. Income support programs, of course, help to stabilize prices and supply as well. Export programs help us gain steady access to international markets that are so important in many areas of our agriculture economy.

How significant do you see stability for producers and what do you see as some of the essential tools that the Department of Agriculture needs to have in farm legislation to achieve that stability?

Ambassador YEUTTER. Well, to give a quick answer to your question, Senator Cochran, my fundamental judgment is that existing

farm legislation provides essentially all the tools we need to achieve the objectives you just outlined. There may be some things that can be added. No legislation is sacrosanct and no legislation is perfect.

But the fact is we have a lot of tools available to us today. We may not always have the dollars to attach to those tools that we would like to have because we have budgetary constraints with which we must all live.

But the techniques and the mechanisms are there, and it seems to me that it then becomes a question of implementation on our part and on the part of the Congress. I would only go on to say that sometimes we ask too much of Government in this area.

We are never going to have a totally stable farm economy in this country, nor will we have a totally stable economy in any other industry. The world is much too volatile for that. There is no practical way, Senator Cochran, that we can take away all the risks that exist in agriculture. It might be nice if we could do that for farmers all over the country so that it would be a risk-free enterprise. But we live in a capitalistic society, and most of us believe that the heart of that society is the dynamism that it provides. With dynamism comes some risk.

Now we can help farmers adjust to risk. We can do that through some of the programs you have outlined. There are ways to do so in the private sector as well. But risk is a fact of life, and we will always have risk with us. It seems to me that the challenge for farmers, just the same as with industrial firms in this country, is to learn how to effectively manage risk, and if possible turn it to one's advantage rather than disadvantage.

Senator COCHRAN. I noticed in your prepared statement that you provided to the committee, at the end you ask indulgence of the committee to engage in a little philosophy statement. And you mention that the antidote for poverty is education.

Ambassador YEUTTER. Yes.

Senator COCHRAN. Always has been and will be. And you were talking about how important it is for the Department of Agriculture in your judgment to be a part of the education process, and I thought about the Extension Service, and I thought about the Agricultural Research Service developing new ways of doing things, improving our productivity. All of this is tied to education and the Department plays a very vital role. In the effort to continue this, I assume you are going to support those programs that are designed to bring the benefits of education to the farm and those engaged in production agriculture?

Ambassador YEUTTER. Certainly, Senator Cochran. As a farmer I have been the recipient of a lot of those programs through the years, and in my days as a faculty member at the University of Nebraska I was on the other end providing some of those services. So I have viewed them from every possible vantage point and they are critically important to the rural communities of this country.

Again the caveat has to be a budgetary one. We do not have the money to do all things for all people. We would love to have some research programs that we do not now have today, but we cannot do everything. So we have to have people in leadership positions in the Department of Agriculture, Senator Cochran, who can deal ef-

fectively with those priorities and try, as I said in my opening statement, to get the greatest bang for the buck in all of these programs.

That means that selection of my sub-Cabinet officials and agency administrators will be a very critical decisionmaking process, and I hope I will be able to bring to the Department highly qualified, well-educated people, experienced people, who will understand the kinds of issues that you have just articulated.

Senator COCHRAN. One of the personal responsibilities that I have had in recent years is to chair the Subcommittee on Agriculture, Rural Development and Related Agencies for 6 years. I served in that capacity until the other party rested control of the subcommittee. But I am still a member of that subcommittee and we will be engaging in hearings soon to review the budget proposed for the Department of Agriculture and even though you did not participate in the development of that budget as Secretary, I know that now you will have to deal with the issues that are involved in that and present that budget to our subcommittee later in the year, and we will have an opportunity to talk about the details of it then.

But I noticed that when we were identifying people who were here today, friends and family and supporters from Nebraska, members of the committee, and staff members that many people in this room are supporters of various activities of the Department of Agriculture. In looking around the room I notice those who are interested in rural housing, in crop insurance, in the Targeted Export Assistance Program, in the EEP program for enhancing exports, animal welfare, food safety, a wide variety of activities that come under the jurisdiction of the Department of Agriculture.

We tend to focus mostly, I think, at this point in the hearing we have, at least, on production agriculture and rural development, to some extent. Do you have any suggestions for us as to how you are going to approach the budget that has been prepared already and how you are going to be called upon to present that budget? Do you have an opportunity to make any changes or to emphasize areas that might not have been emphasized in the budget that has previously been submitted?

Ambassador YEUTTER. I have not participated in the budget process at all to date, Senator Cochran. I felt it would be inappropriate for me to do so. So those judgment calls have been made by Deputy Secretary Myers and the existing team at USDA. I will really not have an opportunity to determine my own potential alterations of those priorities until I get onboard.

I will obviously take a close look at that time because this is going to be one of the toughest jobs we will all have, and I am delighted, Senator Cochran, that you are in a key position on the Appropriations Committee because you also have the great experience of being a member of this committee.

USDA budget priorities will be a major challenge for each of us over the next few years. We are not going to have the amount of money that we would like to have in the USDA budget. We are going to have to make hard decisions, and every group that you have just mentioned sitting here in the audience can build a very strong case for its own priorities.

That is not difficult to do because they are all legitimate needs. The question is how to compare and balance those priorities. That is the unenviable task for which I get paid as Secretary—though not very much—but that goes with the job.

The CHAIRMAN. We will leave the record open for a few days to see how much you do get paid.

Ambassador YEUTTER. Yes.

Senator COCHRAN. Well, you are here at an important time. They are working on the pay raise issue over in the House at least and we may take it up in the Senate today as well.

Ambassador YEUTTER. Whatever it is, Senator Cochran, it is not enough to cover these kinds of decisions, as you know.

Senator COCHRAN. Well, we appreciate your response to the questions, Mr. Secretary, and look forward to talking with you further as the hearing continues. Thank you.

The CHAIRMAN. Thank you, Thad, and I might say I do not want to hurt you back home, but I might add my own compliments to the years you spent as chairman of the Subcommittee on Agriculture, Rural Development and Related Agencies. I think it was not only good for the Department, I think it was good for all of us with interest in agriculture, and I mean that most sincerely.

We will stand in recess, then, until 1:25.

[Whereupon, at 12:05 p.m., the committee recessed, to reconvene at 1:25 p.m., this same day.]

AFTERNOON SESSION

The CHAIRMAN. The hearing will come to order.

Senator Cochran had the last set of questions. Senator Conrad, you have had a block. We will go to Senator Bond. We were a little bit out of order. If Senator Bond does not have any questions, well, the committee does.

Senator BOND. Yes, sir, I do.

The CHAIRMAN. Go ahead. I yield to Senator Bond.

Senator BOND. Clayton, I have seen that there is a State Agricultural Commissioner in Texas who apparently aspires to handle international trade problems for us. He has shown his willingness to dance to the European Community's tune on the beef hormone issue.

I would like your thoughts, number one, on whether it can be done as the European Community wishes; and, number two, what are the implications for our trade policy of having individual State agricultural officials trying to negotiate separate deals with other countries?

Ambassador YEUTTER. Well, first of all, Senator Bond, all of us are interested in the expansion of agricultural exports, so I am delighted to have all the State directors of agriculture involved in that process. And if they can find constructive and creative ways to sell more beef or more of any other agricultural product, that is in the interest of all of us. I know you would encourage that, and so would I.

But there is a question of how one goes about the business of exporting, and whether one, in doing so, either inadvertently or deliberately undercuts the agricultural negotiating process. As you well

know—and as I am sure that particular secretary of agriculture knew—we have been in recent weeks in a very contentious negotiation with the European Community on their ban of American beef products because of our use of hormones in feeding rations.

The actions of the secretary were singularly unhelpful in that regard because they clearly undercut our position in a very major way. His comments were greeted with glee by our friends in the European Community, and that is understandable. It would have been helpful to have had him on our side in that negotiation rather than on their side.

The fact is that this issue will not be resolved, and we are not going to avoid a conflict even if a way is found to move hormone-free beef into the European Community. That ban is inappropriate, illegal under the GATT rules, and improper, and our challenge will continue whether or not we find a way to fill the European Community beef quotas.

If hormone-free product does move in some manner between here and Europe, that would reduce the amount of damages to the United States that are being suffered in this controversy. But it will not likely eliminate all the damages, and it will by no means resolve the conflict over principle that is involved here.

So the controversy will go on irrespective of what happens in the efforts of this particular secretary of agriculture and others to move product into the European market.

Now, the further question is whether the product can be shipped, Senator Bond, and I am not sure of that answer. My impression is that, as a practical matter, it probably cannot be done to the degree we would like to have it happen. I would like to see beef move, and I would like to see it move freely in the absence of such a restriction by the European Community. If we could figure out a creative way to continue selling beef while this issue is being negotiated, that would be desirable.

The fact is that beef has to be certified somehow as being hormone-free if it is to be exported to the EC, and my understanding from the comments of technicians of the Department of Agriculture who are responsible for this program is that there is no way for them to provide that certification credibly. If I am Secretary of Agriculture, we are not going to make certifications that are not credible and that cannot be substantiated. If there be a USDA export certificate that says the beef is hormone-free, we had better be able to state that it is hormone-free, and our basis for doing so. My understanding is that we are not able to make that certification, and if we cannot do so, we will not be able to follow through with surveillance.

My other concern is the one you alluded to earlier, and that is the fundamental question of having State officials, local officials, or private citizens involved in the conduct of American trade or foreign policy. As you know, we have a law on the books called the Logan Act precluding that. It may well be that we have a hint here of violation of the Logan Act, although I have not discussed the matter with the Justice Department.

Senator BOND. I understand that the problem is one of naturally occurring hormones in beef which make it difficult, even if no hor-

mones have been administered, to certify that a particular cut or a particular animal was hormone-free.

Let me move to another question regarding soybeans. Soybean processors in the United States have had an ongoing dispute with Argentina, and certain commitments have been made. They have never followed through. The U.S industry feels that it continues to suffer from the same trade-distorting practices that Argentina has been up to all along, the system of differential export taxes.

What steps can be taken? What do you see is the course of action from here?

Ambassador YEUTTER. Senator Bond, the industry should continue to work with USTR on that issue in the immediate future. The industry has worked very well with me and with our USTR team on that dispute for a very substantial period of time.

We have been tremendously patient with the Government of Argentina in attempts to resolve that dispute. As you know, it is one that involves a relatively small amount of trade. So it is a dispute in which we would really not like to get involved in retaliatory actions. In addition, the Government of Argentina has been doing a lot of things that we like. They are trying their best to get on top of their own very severe economic problems. We would like to help them because they have a democracy that is attempting to confront and resolve major challenges, myriad in nature. So our empathies are with the Argentine Government.

At the same time, we simply cannot let an issue like this continue to fester forever. As you indicated in your question, representatives of the Government of Argentina have personally committed to me on at least two occasions that they would resolve the differential that is involved in this case. I expect them to honor those commitments. So far, they have not been credible in doing so. They concede that, apologize for it, but they simply say that politically they are unable to follow through on their commitments.

If this situation continues, Senator Bond, it seems to me that we will have no choice at some point in time but to reluctantly take retaliatory action against our Argentine friends. I hope it does not come to that, but that decision really is in their hands. And it becomes a question now as to how patient Ambassador Hills wishes to be with them as this situation unfolds.

Senator BOND. In another area, Mr. Ambassador, the Soil Conservation Service has come under a lot of fire for easing some of the soil erosion requirements under conservation compliance. The change from a straight T standard will allow many farmers in my State to remain in business. It would just not be economically feasible for every farmer to implement enough conservation measures to reach a strict soil loss or the T standard.

As Secretary, would you support this flexible standard? Do you envision any changes in the system or have any other recommendations with the compliance program?

Ambassador YEUTTER. I have not looked at that particular issue, Senator Bond, so I would like to give a rather general answer and perhaps provide something with greater specificity later.

Senator BOND. I would appreciate a written answer if you do not care to comment on it.

Ambassador YEUTTER. That would be great.

In general, my answer would be that we do need to provide some flexibility in programs like that because the potential for conserving varies a lot from area to area. There are some places in which you cannot do a lot, maybe because you have already done it or because the physical situation is such that it is essentially impossible. So there has to be a rule of reason in that process. But whether the one you have cited is the right one or not, I would rather not say today.

[The material follows:]

Question. Senator BOND. In another area, Mr. Ambassador, the Soil Conservation Service has come under a lot of fire for easing some of the soil erosion requirements under conservation compliance. The change from a straight T standard will allow many farmrs in my State to remain in business. It would just not be economically feasible for every farmer to implement enough conservation measures to reach a strict soil loss or the T standard.

As Secretary, would you support this flexible standard? Do you envision any changes in the system or have any other recommendations with the compliance program?

Answer. I believe that the policy of flexibility which the Department of Agriculture is following in administering the conservation compliance provision of the Food Security Act of 1985 is important in assuring the successful implementation of this important provision.

The Soil Conservation has worked with local soil and water conservation districts and with the Agricultural Stabilization and Conservation Service (ASCS) county committees to develop conservation alternatives that are both economically reasonable and adapted to the local situations. These alternatives will significantly reduce erosion to reasonable levels. As I indicated in earlier testimony, it is important that the "rule of reason" prevail in this process. I believe that the current policy of securing local input and offering farmers economical conservation alternatives meets the test of that rule and I support it.

Senator BOND. We agree with you that there has to be some flexibility. We hope that after careful study you will come to that conclusion.

I have a number of other questions on particular areas that I will submit for the record, and I thank you very much for your testimony and wish you the best.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

What I would like to do, we have gone two in a row on the minority side. If nobody objects, we could go with Senator Boren and Senator Kerrey, who were sitting here waiting to go as we came in. Senator Boschwitz has not had questions, Senator Baucus, and then in order as people come in this afternoon.

Senator Boren.

STATEMENT OF HON. DAVID L. BOREN, A U.S. SENATOR FROM OKLAHOMA

Senator BOREN. Thank you very much, Mr. Chairman.

First of all, I am sorry that I missed the earlier comments this morning because of a conflict with other responsibilities. But I want to welcome Ambassador Yeutter here. Those of us on the Finance Committee have had the privilege of working with him in the trade area. I have had the privilege of knowing him before he came into Government service. I cannot think of anyone who would be better equipped to occupy the position of Secretary of Agriculture, both in terms of his knowledge and ability, than Ambassador Yeutter.

Mr. Ambassador, I look forward to working with you. I know it is a matter of personal sacrifice for you to agree to serve as Secretary of Agriculture at this time, and I am very pleased that you would be willing to offer yourself for public service.

I would say to my colleagues on the committee that we have found in the Finance Committee that the Ambassador is a person who is very direct, who does not postpone decisions indefinitely, who cuts through redtape, and gets things done. I certainly welcome that kind of leadership to the Department of Agriculture.

As you know, members of this committee labored long and hard last year, and months before that, on the farm credit legislation. Senator Boschwitz, the Ranking Member on the Subcommittee on Agricultural Credit with me, which I chaired at that time, and those around this table were personally involved in writing that legislation. Under that legislation, there was a provision that notice would be sent to farmers giving them an opportunity within 45 days to respond if they wished to be considered for having their debts restructured and reworked. We provided in the law that if it was as cheap or cheaper for the Government to restructure a loan rather than go to foreclosure, that we would attempt to do so. Many of us were convinced that had we done this much earlier, we could have saved the Government a lot of money, and we could have prevented a lot of collapse of land values.

These notices, as you know, went out around Thanksgiving time. The 45 days began to run at that time, and also we spanned the Christmas holidays. And we had thought, I must say, in writing the law that when we talked about responding within 45 days, we had in mind that the farmer would simply respond that he wished to be considered.

The Farmers Home Administration, when they wrote the regulations, also included the requirement that forms which they sent to the farmer with this mailing of notice would also have to be completed, and the Farm and Home Plan Form would have to be completed within 45 days to have consideration.

I know that the law, as we look back on it now, is a little unclear as to this point, but we wanted to make sure that any farmers that indicated within the 45 days that they wanted consideration would get consideration. And I have just done some checking. I understand there are 6 to 8,000 farmers who never signed for their packets. They were sent registered mail. So we had 6 to 8,000 who just did not receive the notice, or they did not pick up the packets.

We had testimony from the Farmers Home Administration that they intend to send a new notice to those people, with the 45 days beginning to run from that point.

We had some others who did sign, about 30,000, who did not return anything, did not even send a letter back saying "I want to be considered." We had about 3,000 who sent part of it back but did not get all the forms completed. In other words, they had clearly indicated a desire to be considered but did not get it all completed within the 45 days. Then we had approximately 30,000 farmers who did return all the forms and the forms were in on time.

Now, I am concerned, really, about two things. Once the forms are completed, as you know, and received by the agency, under the law the agency then has 60 days to respond, to make a decision as

to whether this will go to foreclosure, will it be restructured, will it be handled under principally two optional ways of handling the loan.

And I am wondering, and I would say to you that I think in light of the work that was done on the legislation by this committee—I have discussed this with Senator Boschwitz, who was here just a minute ago, and that was also his understanding—that the main thing we wanted was that the farmer would show interest within 45 days.

I would hope that you would use your discretion in working with the Farmers Home Administration, for those 3,000 farmers who indicated interest but did not quite get their forms finished in time, that they be given some additional time. And I have talked to several members of the committee, and I do not think there is anyone on the committee on either side of the aisle that does not feel that would be a good gesture.

And for those who did get their paperwork completed, I am hearing from a number of them: You know, we finished it; we got it in right under the wire in the 45 days, but we do not feel very good about what we did. We were so rushed, and the Farmers Home Administration supervisors, so overwhelmed with requests for help in filling out the forms, that we were not really able to do it very well.

So I would just ask if you would be willing—and I am not going to try to hold you to any particular formula here—willing to look at this and consider for those 3,000 farmers who put something in but did not finish it, giving them some additional time, perhaps another 45 days; and then perhaps letting those know who did finish it but perhaps did not do it in a form that they feel very good about it, that they might like to have a chance to revise their answers or to work some more with the supervisors, to give them some additional time.

If we did that, I understand that we would have to protect the agency. Because it says once they receive it, the 60 days starts to run. The farmer, if they requested more time, either to revise their forms or to finish their paperwork if it had not been completed, that they would indicate their willingness that the 60 days would not begin to run against the agency until they had completed their submission—something to protect you against the possibility that you might be brought to legal action under the *Coleman* case, some sort of agreement with the farmer to not start the clock until the farmer was finished.

Would you be willing to consider that? I think it would, frankly, be an act of compassion on the part of the Government, understanding these forms did come out during the holiday period, and that it was very difficult for some of them to fully understand, and some of them were suspicious about what was going on here.

I think that is perhaps the reason some of them did not even claim their packets. But try to seek a way that we could take care of some of these others that fell through the cracks in addition to those that just did not get their packets.

Ambassador YEUTTER. Well, Senator Boren, I will commit to you to take a close look at the entire situation at the earliest possible moment. We discussed this briefly earlier this week, and I have

had just very preliminary discussions with our people who handle these programs within USDA. It is obvious that we have a significant problem on our hands in attempting to deal with this issue.

I am not sure of the legal ramifications—you and I have discussed this, too—both with respect to the *Coleman* case and with respect to the wording of the law itself. So I have to get representatives of the General Counsel's office into that discussion, too. We need to have an internal seminar some time in the next few days to sit down and work through what we think can and should be done.

I will surely look at it then in an open-minded manner. That is all I can really commit to at this point.

Senator BOREN. Well, I would appreciate that. I would just say from the point of view of legislative history—as I say, I did discuss this with Senator Boschwitz. Senator Conrad and Senator Daschle, who were participants in writing that legislation, are here also. Of course, Chairman Leahy of the full committee also considered it. It was really our intent that the farmer has to signify interest or desire to be considered for restructuring during the 45 days.

We did not really intend that there be an ironclad rule that the paperwork would have to come in within 45 days, and it would be my feeling that the law would at least give you the discretion to extend that time. Then there would be a way of protecting, I would think, the agency by simply saying: If a farmer does want additional time, either to revise his submission that he made hurriedly or to complete it if he did not come under the 45 days, that that farmer would then agree that the 60-day clock on an answer would not start to run.

There should be some way of coming up with some sort of a form that the farmer could enter into that kind of an agreement and protect the agency.

You know, we have about 70 or 80,000 farmers who are affected; only about 30,000 of them actually came in under the guideline with all the paperwork completed. And as I say, I am hearing from a number even within that 30,000 that they felt rushed. I think if they had a chance to revise some of it and these supervisors could work with them, it would also save the Farmers Home Administration a lot of work, make that 60-day period a much easier period to live with if there could be kind of a mutual agreement to do it.

I would just say to you, I cannot think of any better way with the agricultural community that you could start out as Secretary than by taking an action like this. It would show a real sympathetic understanding of the problems that the borrowers have.

I appreciate your answer, and I look forward to working with you on it. I hope that when—I will not say "if," I will say "when"—you are confirmed, because I certainly anticipate that, that it will be one of the things you look at right away because time is ticking away on it, if we are going to give some additional time to these farmers.

Ambassador YEUTTER. Yes, I would be happy to do so, Senator Boren.

Senator BOREN. Thank you very much. Let me ask one question on behalf of Senator Bingaman, who requested that I ask this:

The 1988 Disaster Assistance Act contained a provision giving the Secretary the discretion to release excess CCC corn for use by smaller ethanol producers if he deemed stocks were sufficient to do so. Last fall, Secretary Lyng told Congress that he did not have enough information on the size of the corn harvest to make a determination at that time.

I wondered if you would commit to us, again, to look at that at the earliest possibility so that some decision could be made.

Ambassador YEUTTER. I would be glad to. This is the first time that issue has come to my attention. So I cannot respond now, but I will be happy to look at it.

Senator BOREN. I appreciate that very much.

One last question. From time to time, there is a proposal, of course, to phase the Special Trade Representative's Office into a new department, Department of Commerce, or a new Department of Commerce and Trade. I wonder, after your experience, how you would react to that suggestion and how you feel it might impact the emphasis that would be given to agricultural trading issues if that were to be proposed again.

Ambassador YEUTTER. I suspect that issue will come back again, Senator Boren. We can spend a lot of time discussing it. I would give you a preliminary view, and that would be that I do not necessarily see such a reorganization as impacting adversely on agriculture. There has been some concern through the years within the agricultural community that it could adversely affect their interests, probably based on the fact that you might have people brought into this agency that would not be as open market-oriented, as export market-oriented as is USTR.

But that is all a matter of personalities and the people who fill the positions, and those change over time. That is a question of leadership of the agency, whatever the agency may be.

So I really believe that many of those concerns are unwarranted or at least controllable by the appointments process. So I am not really terribly concerned about that. It would seem to me the more relevant question is whether we can or cannot more effectively deal with trade policy issues in this country if we have a larger department, and there are some tradeoffs there.

First of all, there are tradeoffs here on the Hill because more than one committee of jurisdiction is involved, and a reorganization proposal is not likely to go anywhere until and unless the jurisdictional issues are resolved within the Congress. You are in a much better position to evaluate those than I.

Putting those aside and just evaluating the proposal from the standpoint of the operations of the executive branch of Government, the tradeoffs there are that a larger organization could take away some of the personal touch of USTR, the almost entrepreneurial environment and the dynamism of that agency. In other words, would such be lost in a gigantic bureaucracy? And would we lose some of the very strengths that USTR has demonstrated in recent years?

The other side of that question is that a larger department would certainly provide trade with a much stronger bureaucratic base, if one can call it that, than exists there today. There is some merit in that. For the trade minister, as he or she is typically called around

the world, a large department will immediately place at his or her command a lot of human and budgetary resources. That sometimes makes it easier to get things done than when one has to reach out to those resources from a coordinative role as USTR does today.

On balance, Senator Boren, if I were working on this issue, I would try to have the best of all worlds by creating the larger Department of Trade and Industry, or whatever it may be called, but within that department retaining a USTR-kind of organization that would hopefully operate in an autonomous or semiautonomous manner in the trade negotiating arena. You would then have the benefits of the larger, stronger bureaucracy, while at the same time also retaining the benefits of a USTR-kind of organization within that framework.

I am not convinced that is an impossibility. If it were organized correctly, I believe we could conceivably have the best of both worlds. I suspect the more difficult challenge is the one over here on jurisdiction.

Senator BOREN. Well, thank you very much. And, again, I appreciate your willingness to accept the President's nomination. I applaud his choice.

The CHAIRMAN. Thank you very much. As I said before, we will go to Senator Kerrey and Senator Gorton. So many people are showing up out of the woodwork. Senator Kerrey, let us go with you, and then we will go to Senator Gorton.

Senator KERREY. Mr. Ambassador, we have talked before about the general philosophy of the farm program. One of the things that I see as a strength of yours is that you have had the direct experience in production agriculture. Also, you have maintained your contact with the people in Eustis, Nebraska.

You understand what they went through in the 1980's and understand the connection between the farm program and the so-called nonfarm program, macroeconomic factors such as interest rates and fiscal and monetary policies. It seems to me, as well, you understand the importance of trying to bring some common sense to the administration of the farm program.

I am simply trying to get an understanding of where you are philosophically as far as the farm program and Senator Cochran's question earlier is a pretty good basis for me to start. That is, I would ask you: Do you intend to use the provisions of the farm bill, the tools of the program—acreage reduction, paid land diversion and the conservation reserve which you have indicated you have used for 30 years? Do you intend to use those provisions to keep the inventory, particularly of feed grains—that is the most costly part of it—in a range where the marketplace can, indeed, produce the profit for the producer rather than have it come from the Government?

Ambassador YEUTTER. Well, we will obviously try to achieve that objective, Senator Kerrey, with all the tools at our command. The mix of tools that is proper at a given point in time is very difficult to know because it is dependent upon a lot of factors, including many outside the borders of the United States. What that really means is that the Secretary of Agriculture and his top staff have to continually assess and reassess that situation to determine where

and how we can get the best overall outcome for American agriculture.

In some cases, that may mean a larger Acreage Reserve Program. In some cases, it may mean a smaller Acreage Reserve Program. In some cases, it may mean greater emphasis on the Export Enhancement Program. In some cases, it may mean pulling back from the Export Enhancement Program. In some cases, it may mean lowering loan rates to make us more competitive, or perhaps moving them up if we do not feel they are in any way impeding competitiveness.

All of those variables have to be built into the mix, and what we have to do is provide a sophisticated economic analysis of what is going on in the world in order to make those judgment calls.

Senator KERREY. Let me see if I hear you right, I will try to pose a sort of hypothetical question. Now, will you be trying to make some connection between the inventory, let's say of corn, and the price of corn? Or, will you, as you stated in your opening remarks, the prepared remarks that I have read—only once, by the way—use the farm bill provisions as a safety net to be used to subsidize when the price gets so low that there is a need for a subsidy?

And I am concerned with that language because I see the farm program as being set up, on the stabilization side, to provide some tools to try to keep prices up so that subsidies will not be required.

Ambassador YEUTTER. Well, we cannot artificially force the price up, Senator Kerrey. The overall price will be determined by supply/demand conditions around the world, and we are going to have to adjust to whatever they may be.

We do not know how much wheat will be grown elsewhere in the world next year. We do not know how much wheat we are going to grow next year. The same thing for feed grains, rice, and cotton, and everything else.

So, clearly, what we have to try to do is what we think is in the overall interests of American agriculture.

But that is a very difficult decision that has to be based on innumerable factors at a given point in time. It would be nice for farmers, of course, if we could lay out a program with precision that would last over the next 2, 3, or 4 years, but that is unrealistic. We do not know whether the drought is going to continue this year. We will find out in the next 2 or 3 months. What does or does not happen with rainfall is going to make a lot of difference with what we can and should do with the wheat program.

There are many unpredictables that have to be constantly reassessed as they go into this matrix, and we have to make day by day, month to month, and year to year decisions.

I am sorry to give you somewhat of an unsatisfactory answer. It is just awfully hard to be specific when there are so many variables that are impossible to predict at a given point in time.

The other point I want to make is that I mentioned market share this morning very deliberately. I am convinced, Senator Kerrey, that we have to build and vigorously sustain market share internationally, because that is in our long-term interest.

We can do things to help farmers in the short run that might boost their incomes in Nebraska or elsewhere very nicely, and make them very comfortable, but if we do it in such a way that we

forgo or give away market share, then we have helped them in the short run and hurt them in the long run. And I am more concerned about making sure that we have a healthy agriculture in the long run.

That means that I want to watch market share internationally with great care.

Senator KERREY. The concern, again—to be as specific as you and I were when we talked briefly last week—is that we may not watch the inventories sufficiently, and we end up with a better-than-average crop yield in 1989. If the inventories go up, the price goes down, and the subsidy busts the budget, then we are all in trouble.

Ambassador YEUTTER. Yes.

Senator KERREY. I hear and my concern in the decisions being made, for example, right now by USDA with the set-aside requirements for corn. They are suggesting that 25 percent of the acres set-aside be used for soybeans, but they are not sure whether or not you are going to be able to stay at that level because they are concerned about the price getting too far down.

I hear some connection being made in the Department right now between the inventory and price and I could not agree more with you. We do not want to induce noncompetitive conditions upon agriculture, where we take out the requirement for competition or eliminate all risk.

I could not agree more with you, but in my gut, worry about 1989 and worry perhaps even a bit more about 1990.

Let me ask you another question that you and I talked about. The question concerns industrial uses of agricultural products.

There is authority in USDA to permit the use of set-aside acres for crops that are being used for industrial uses or alternative crops.

Do you intend to implement that authority?

Ambassador YEUTTER. Well I certainly want to evaluate it, Senator Kerrey. I have had more discussions on this subject in the last 30 days than I have had in a long period of time, including some with fellow Nebraskans who have an interest in this area.

I am rather excited about some of the developments that are occurring here. All of us have talked about industrial uses of farm products for years and years, but it has been mostly rhetoric and not very much action.

Nebraska has probably had greater interests in that area than maybe any State in the Nation, going back 30 years or so. But not much has happened in the intervening years.

Now, however, it looks like we could conceivably be on the verge of some significant breakthroughs, and certainly we are going to have to have some field tests, or pilot kinds of operations, to determine feasibility.

Whether we should do that on set-aside acres, or elsewhere, I do not want to make a definite decision today because I have not heard the arguments pro and con.

I can say to you, Senator Kerrey, that I am empathetic with and encouraged by the creativity that is emerging in this area.

Senator KERREY. Even though, you have expressed not much participation in the development of the 1990–1991 budget, I would urge you to look at the sustainable agricultural budget that was

recommended for elimination. In fact I would like to give you the opportunity to comment on sustainable agriculture.

Secretary Lyng wrote—and I gave you a copy of it—that,

> Many of the nation's farmers have experienced financial stress in the 80's due to the downturn in exports of farm products, commodity prices, and land values. The traditional solution of increased production will only further depress commodity prices. Also, farmers are under increased pressure to reduce non-point pollution from fertilizers and pesticides and reduce erosion. Alternative farming systems that decrease or optimize the use of purchased inputs and that can increase net cash returns to the farmer through decreased costs of production may effectively improve the competitive position of the farmer and decrease the potential for adverse environmental impacts.

It is my belief that the sustainable agriculture movement, that has been described by some as sort of the hippy-dippy organic farming, is for real. For economic and for environmental reasons, the producer out there that has to try to produce for a profit, and being concerned as much about profit as they are about anything else, for that producer sustainable agriculture is for real. I would just like to give you a chance to comment on that.

Ambassador YEUTTER. I am pleased to do so, Senator Kerrey, because the evolution in that area seems at least somewhat analogous and comparable to the evolution in the industrial development area.

You are right that the early involvement in sustainable agriculture was hobbyists doing organic farming. No one took that seriously because it was generally believed that there was no practical applicability to what was being done.

Now, however, we are beginning to see successful farmers, full-time farmers with efficient operations, beginning to embark upon programs that one would define within this category, and at least until now demonstrating the rudiments of successful adaptation.

It may be too early to draw final conclusions, but I had a lengthy conversation just in the last day or two with a long-time close friend of mine from Iowa who is doing this—an individual for whom I have a great deal of respect—and he indicates to me that he believes what he is doing in sustainable agriculture is practical, can be put to widespread use, and deserves encouragement.

In fact, he is working with experiment station personnel with some major research operations on his own farm. So, I would say, Senator Kerrey, that we do need to follow through with this, and as a serious research and development endeavor. I hope we can do that.

I cannot speak to the budgetary priorities because obviously these efforts are going to have to compete with other items in the USDA budget, and I have not had a chance to make those cross-evaluations. But, certainly, it is an area that has sparked my personal interest.

Senator KERREY. If I could ask just one additional question—it is really just more of an encouragement. I know that you have spent a lot of time maintaining contact with the people in the community.

I would just urge you to consider that one of the remnants of the macroeconomic conditions in the 1980's is a rather alarming increase of rural poverty. The appearance of great abundance alongside of malnourishment and hunger is, in fact, a reality, even in

rural America. This is one issue that I at least am going to try to give some attention to. I hope that you and I could work together on that.

Ambassador YEUTTER. Thank you, Senator Kerrey.

The CHAIRMAN. Thank you. As one who has felt kind of like a lonely voice at times on sustainable agriculture, this dialog, Senator Kerrey and Ambassador Yeutter, has been music to my ears, and I am delighted to hear it.

I think that considering all of the money that we do have in agriculture, and questions of research and everything else, the fact that we have always tried to be ahead of the curve here in the United States—to be able to give more attention on sustainable agriculture I think is something we should be doing.

It would certainly be consistent with a great tradition of agriculture in this country. So Bob, I am glad you raised that point. Mr. Ambassador, I am glad to hear your answer.

We will go now to Senator Gorton, and then Senator Baucus, Senator Boschwitz, Senator Daschle, Senator McConnell, and whoever else. So Slade, you are next.

Senator GORTON. Thank you, Mr. Chairman.

Mr. Yeutter, a situation of urgent importance to the Pacific Northwest involving the U.S. Forest Service has just reached a climax. I am deeply concerned about a recent spotted owl record of decision amending the Pacific Northwest Regional Guide.

This record of decision documents the process the Forest Service followed to establish a management direction intended to maintain a viable population of spotted owls in the National forests of Oregon and Washington.

The final forest plans will use the standards and guidelines contained in the amendment to plan for spotted owl habitat management.

I am informed that the amendment proposes to cut back the 1989 timber sale program by almost 100 million board feet. This amounts to almost 50 percent of the planned Olympic National Forest timber sale.

I now have thousands of constituents on the Olympic Peninsula who face crippling economic loss, and social losses as a result of the amendment.

A number of appeals have been filed challenging this record of decision. The Secretary of Agriculture has only a few days left in which to decide whether to consider these appeals.

As Secretary-designate, I recognize that you may not be familiar with this matter, but would request that you look carefully and quickly into the situation.

I should like to be assured that the U.S. Forest Service, in its decisionmaking process, has carefully considered not only adequate means for maintaining a viable population of spotted owls, but also has carefully weighed the human costs and impacts of any protection scheme.

Ambassador YEUTTER. Well, Senator Gorton, if you can convince your colleagues here to vote quickly on my nomination, perhaps I can deal with that issue for you!

Seriously, I am sure that you will have a sound decision in that case, irrespective of whether or not I am there because Deputy Sec-

retary Peter Myers can certainly weigh the interests in a proper way.

I just heard about this particular controversy in the last few days. I am not fully briefed on it and certainly do not know the ramifications of what is involved here, but I can assure you that if it is on my desk at the time that I arrive at USDA, I will take a careful look at it because you are talking about very delicate balancing of interests.

That is one of our tasks in this business—to try to properly balance interests, and evaluate social, economic, and other costs and benefits in the decisionmaking process.

I hope we do that in a sensible way on this issue, or any other issue, and I will certainly try to make sure that we have a rational result in that dispute.

Senator GORTON. I thank you for that answer.

Now, on another subject, early, during your testimony this morning, you made reference in answer to a question I believe set by the Chairman with respect to the Commodity Futures Trading Commission, and the current, well-publicized sting operation which the FBI has been conducting in Chicago.

Do you have an opinion, and will you make recommendations to this committee respecting the future of the CFTC, concerning whether we should have two rather than a single regulatory authority governing sales of securities as well as of futures?

And also, as to whether or not this committee, and this Congress, should have any function in determining the kind of securities or futures that will be traded on one exchange or another?

Ambassador YEUTTER. Well, Senator Gorton, when the committee plans hearings in this area I would be pleased to testify if you would wish me to do so.

The governmental responsibilities, as you know, now lie with the CFTC, and no longer with USDA. When I first came to the Department of Agriculture they did lie with USDA and in fact were under my jurisdiction at that time. My staff and I had a lot to do with the creation of the Commodity Futures Trading Commission a good number of years back.

By and large I believe the CFTC has served all Americans well through the years in regulating this very dynamic, fast-growing industry.

I will give you just a quick answer, at the moment, to your question, and would be happy to embellish at a later time, if you wish me to do so.

My judgment would be that we ought to retain separate regulatory agencies rather than combine them. It seems to me that if they are combined we will go through the usual travail of the reorganization process. That always causes difficulties in Government when it is a reorganization of any magnitude, because everyone becomes uncertain about their lot in life, and it simply interferes with their performance of the regulatory functions.

Putting it another way: We ought to stay away from governmental reorganizations unless there is a compelling reason to have them. And at the moment, I do not see a compelling reason for that to occur.

There is no reason, in my mind, why the Commodity Futures Trading Commission cannot continue to do a first-class job in regulating that industry, and I see nothing in the existence of——

Senator GORTON. But has it done a first-rate job?

Ambassador YEUTTER. Yes. I really believe that it has done a satisfactory job, perhaps not a utopian job, but I do not know of any regulatory agency that can be placed in the utopian category, including the Securities and Exchange Commission.

My view is that the Commodity Futures Trading Commission has done just as good a job in regulating futures and options markets as has the Securities and Exchange Commission in regulating securities markets.

Both of them are professional organizations that are doing a difficult job quite well. I said earlier this morning that one cannot preclude wrongdoing in the securities world, the commodities world, or the political world.

It sometimes happens. We have laws that preclude speeding in this country but there are still speeders, and as long as we have commodity futures trading laws, there will be people violating those laws. As long as we have securities laws there will be people violating those laws.

So we need to be careful in a high-profile dispute like this that we do not begin to throw babies out with bathwater, and I certainly see no evidence, at this point, that the Commodity Futures Trading Commission has inadequately done its job and should in some way either be replaced or merged with another institution.

Perhaps when we learn more about the outcome of this investigation all of us might come to a different conclusion, but I do not see anything based upon my experience with the CFTC over the last decade that would suggest significant changes.

Senator GORTON. Thank you. Mr. Chairman, with your permission I have several other less world-shattering questions which I would simply like submitted in the record.

Senator DASCHLE [presiding]. Without objection.

Senator Baucus.

Senator BAUCUS. Thank you, Mr. Chairman.

Clayton, I think you, as well as all Americans, were somewhat heartened with the general tone of the President's Inaugural Address, when he said that a new breeze is blowing, and he talked about a kinder, gentler Nation, that we work hard to help each other, and a little less reverence for possessions, and so forth.

Nevertheless, when I heard it, I was struck with a slight naivete in it. It is sometimes a cruel world, and certainly we are facing very severe economic international competition.

I do not know how kinder and more gentler we could or should be with those countries which are, in some sense, declaring economic war, trying to boost themselves up somewhat at the expense of Americans.

Now obviously we are all in the world better off the more all countries trade and all countries remove trade barriers, as a general rule. There are some exceptions, but as a general rule.

And I am wondering if you do not agree that our position, certainly with respect to Europe 1992, certainly with respect to the Uruguay round, certainly with respect to our efforts to mutually

reduce worldwide agriculture subsidies—isn't our position greatly enhanced the more we just stand tall and just bargain through strength?

Which is to say, isn't it better that we do not send signals of weakness, namely, reducing the agriculture budget, or cutting back proportionately the Export Enhancement Program, or indicating we may or may not recommend to the President that he implement the triggered marketing loan provision that is now contained in the law?

Don't you think that if we are going to be successful in leveling the playing field, as successful in encouraging other countries who do subsidize their agricultural products more than do we, that we have to be tough, stand tall, be firm?

I think you will agree that no country, altruistically, out of the goodness of its heart is going to lower its agricultural support program just to be kinder, or more gentle.

Ambassador YEUTTER. We do have to be tough, Senator Baucus, and stand tall. As you know, from all the experience we have had over the last 3½ years on the trade front, including the one involving beef and citrus negotiations with Japan, we benefit when we hang tough and insist that negotiations come to a proper conclusion.

We have some historical experience now on which to draw that conclusion, and I certainly come to a final assessment of the benefits of strength, toughness, and standing tall, and I am sure you do as well.

Senator BAUCUS. More specifically, what about budget and EEP, and so forth?

Ambassador YEUTTER. I will respond to that in a moment. If I may, let me just add one additional comment to the effect that in my judgment, most people, and most nations in the world, also want us to be tough.

They may complain about it publicly. We will continue to see articles in the European press about Rambo Americans attempting to destroy European agriculture, and we will see some of those same kinds of comments from Japan, or elsewhere around the world.

But the fact is that for every public statement of that nature, made by someone in those Governments or in the private sector, there are probably half a dozen private statements: "We may have said that publicly, but privately we want you to keep the pressure on, because unless you, the United States, apply pressure, we cannot generate the political will within our borders to change."

I am more inclined to subscribe to the private viewpoints than I am to those that are expressed publicly.

In other words, if we really want to achieve trade reform in this world, whether it be in agricultural or any other products, the United States has to provide the leadership and the pressure.

Now to get specifically to your point, Senator Baucus, are we then reducing our leverage if we begin to trim back our budgetary commitment to that cause?

The answer is that that could happen if we do it improperly, but we ought to be able to avoid that if we do it skillfully.

In other words, I do not believe that we should draw the conclusion, Senator Baucus, that the amounts of money that we are ex-

pending at the present moment are sacrosanct, that is, that we need this much or more in the EEP program, or in any other program.

As I responded to Senator Kerrey earlier—that need varies from day to day, week to week, and month to month, depending upon conditions around the world.

You are saying that I, as Secretary-designate, need to be careful about this, so that foreign policy, other considerations, or general budgetary considerations do not pull the rug out from under me at the Department of Agriculture, and the rug out from under Carla Hills as USTR in this negotiating exercise, and you are correct.

But we may be able to do our share in responding to this gigantic Federal budget deficit without reducing our negotiating leverage. That will not be an easy decisionmaking process for me, obviously, but I hope we can accomplish it.

Senator BAUCUS. But wouldn't, though, reducing the agriculture budget be a signal that we are reducing our leverage? There is less American commitment.

Ambassador YEUTTER. It depends on how we use that budget, in my judgment, Senator Baucus. I do not think people will pay too much attention to what our overall USDA budget is.

Not many people around the world really do know. But they will pay attention to whether we reduce the budget in areas where pressure is applied.

Senator BAUCUS. But one potential area is the Export Enhancement Program.

Ambassador YEUTTER. That is correct.

Senator BAUCUS. Last year I think it was about $1 billion, and the budget recommends 1¼. The price has gone up 40 percent. That is a net cut.

Ambassador YEUTTER. In my judgment, we cannot afford to diminish the effectiveness of the Export Enhancement Program. I worded that carefully because I do not want to tie it to specific dollar amounts.

The EEP is a major source of our leverage, internationally, and we assuredly cannot afford to reduce its effectiveness.

Senator BAUCUS. Well, I very much agree with you. I think EEP, probably more than any other single program, has done more to provide more leverage and help achieve the result that we are all looking for.

Ambassador YEUTTER. That is correct.

Senator BAUCUS. What about the triggered marketing loan, and its potential across the board, EEP, that the President has the authority to invoke, if there is not sufficient progress in the Uruguay round?

Ambassador YEUTTER. That is correct. That legislation exists, as you know, Senator Baucus, because it came through the Omnibus Trade Bill. I consider it significant leverage indeed, and as Secretary of Agriculture I would certainly argue for its implementation, if and when needed.

Now that is a decision that ultimately will be made in an interagency process, and perhaps ultimately by the President of the United States, but there should be no doubt about where my proclivities lie.

Senator BAUCUS. Could you share with us the understandings and conversations you have had with the President as to what your role will be, and how much he will rely specifically on you, and what your access will be, and what his feeling is toward—that is, the degree to which we should adopt positions to gain a strengthened bargaining leverage.

Ambassador YEUTTER. The President understands international issues very well, as you know, Senator Baucus, because he has had an enormous amount of experience in this area.

He has not worked a great deal in international trade specifically because he has been involved in other areas of international affairs. But he is knowledgeable in that area, and clearly very willing to listen. He told the entire Cabinet a few days ago that he was amenable to one-on-one discussions with members of the Cabinet when it was appropriate and desirable to have them.

In other words, he wanted to encourage members of the Cabinet to come in and have such discussions. He also indicated that he was amenable to sitting down with appropriate groups, and amenable to becoming personally involved in issues as appropriate.

He intends to be a hands-on President of the United States. He intends to be involved in issues. I consider that to be a very encouraging development.

Aside from those general comments by the President, we obviously talked about agriculture in greater specificity when I discussed this position with him. My judgment is that that is a door that will be open to me at all times and with no hesitation.

As you know this was not a case where I was begging to have the job, and that changes the relationship just a bit.

Senator BAUCUS. Yes. It does.

One other question.

What will you recommend to the President if, on 2/20, the European Community decides to counter, counterretaliate on its decision to ban, you know, American feed under the guise of health and safety restrictions.

Ambassador YEUTTER. If the Community counterretaliates, I would recommend that we counter-counter-retaliate.

Senator BAUCUS. Counter-counter-counter. [Laughter.]

Thank you very much. Thank you, Mr. Chairman.

Senator DASCHLE. Senator Boschwitz.

Senator BOSCHWITZ. The Senator from South Dakota, when the Chairman comes back, I want to ask him what his timeframe is for confirmation. I guess we will get done with this nomination hearing today and hopefully we will be able to vote on the nominee early next week.

Without using my time here, can you state what——

Senator DASCHLE. I am informed that because a number of Senators have submitted questions to be responded to in writing, that until those responses have been returned, there will not be a date set for the actual vote on confirmation.

I think it is——

Ambassador YEUTTER. Let me try and help on that, if I could, Senator Daschle.

We will try to do a 24-hour turnaround on those questions and have them done before the end of the day tomorrow.

Senator DASCHLE. Fine.

Ambassador YEUTTER. The sooner we get those done, the better, because I would like to pick people and get people in place. And I can't do that until we move this process along.

Senator DASCHLE. If I could just further comment.

As I understand it, it is the intention to have the vote perhaps the early part of next week under those conditions.

Senator BOSCHWITZ. When must questions be submitted by the Senators——

Senator DASCHLE. Today.

Senator BOSCHWITZ. Today. Good. Then we can move ahead. Because I am very fearful that we might push it into the recess period.

I think if we can do this on Tuesday, it would be advantageous.

Mr. Secretary almost, in the seventies, you know, the marriage of the Government and the farmers was not quite so great. Perhaps one-quarter, at the most one-third of the farmers participated in the crop programs. But there really has been a marriage and quite a tight bond that developed in the eighties first with embargoes and with the high dollar, then with high loan rates that caused other countries around the world to produce.

And so what was projected in the seventies as being starvation in the eighties turned out to be great surpluses. And then weather patterns, of course, changed around in the world as well.

I, on this committee, and in agriculture, have stood to retain or maintain farm income and, secondly, flexibility. Some people have called it, I have called it decoupling because it was Senator Boren and I who introduced it in 1985. And if that program had been adopted I might say in 1985, the time the budget was very, very high, there would have been an enormous transfer of assets to the farm community, it might even have somewhat embarrassing with the decoupling program. It probably would have solved all their debt problems in a single swipe as things have developed from the standpoint. Prices have been pretty good.

If you had crops and also received a decoupling payment, you would have been doing very well.

My question is, you haven't made a statement about your general philosophy with respect to agriculture.

Are you in favor of marrying the farmers to the Government, tightening the bond, or are you in favor of greater flexibility?

For instance, somebody has, including myself, has suggested perhaps one of the ways is to allow flexibility of planting on a certain percentage of the base acres.

What would you state, in as few words as possible, what general philosophy you would bring to the position of Secretary of Agriculture?

Ambassador YEUTTER. Certainly. I am pleased to do that, Senator Boschwitz. I will do it with oversimplification because this, too, is a subject on which we could spend a great deal of time.

Using your terminology, I would like to loosen the bonds between the Government and the farmer. It seems to me that those bonds are too tight. The farmer is too often in a noose, and too frequently finds himself with little or no flexibility in the conduct of his farming operations.

In my judgment, that not only is not a healthy long-term situation for the individual farmer, but it inevitably causes distortions in production patterns for the Nation as a whole. It also forces distortions in marketing practices.

We have moved through the years with fits and starts toward greater utilization of the marketplace in agriculture. I thought, in the seventies, we were well down the road to a much more free and open kind of agricultural framework in this country, with much greater reliance on the marketplace and less reliance on Government. Those were good years from that standpoint.

Then, in the eighties, we have gone through the travail of 20 percent interest rates and all of the other pain and suffering that has been experienced by American agriculture, and we have tightened that noose once again. I don't really want to critique or second-guess those policy measures; those were tough judgment calls under the circumstances. Both the Congress and the executive branch of Government probably did about as well as they could under the circumstances.

But now we ought to take another look as we've experienced at least some improvement in the aggregate well-being of American agriculture. And we ought to take a long-term look at where we go from here, why and how we're going to get there, and how we're going to affect the international environment in which these decisions are made.

Embellishing just slightly, I would hope that we can convince all the major trading nations of the world, and all the major agricultural producing nations of the world, to move decisively and vigorously toward a more free and open agricultural system.

The world will benefit from that. A lot of farmers will benefit. Consumers will benefit enormously. I happen to think American farmers will benefit. I do not agree with the study, that appears to be coming off the presses, that says that we are not competitive internationally in agriculture. I don't subscribe to that.

And we will make a humanitarian contribution too, Senator Boschwitz. One study that was done recently indicates that if we had free and open trade in agriculture in the world, it would add $26 billion a year to the gross national product of the developing countries of the world. It seems to me that giving them another $26 billion a year in agricultural incomes is far preferable to giving them another $26 billion a year in aid or grant programs.

That same study, by the way, which is seemingly contrary to the study emerging at USDA, shows that the developed countries of the world will gain by another $16 billion a year in increased gross national product. I suspect that a lot of that $16 billion would take place here in the United States. In other words, the net to the world as a whole, by getting Government off the backs of farmers, would be something over $40 billion a year in additional income levels.

Now, that is going to be divided in a variety of ways between and among countries, and between and among producers and consumers. Not everybody is going to be a winner in that process, but the world as a whole is going to be a lot better off. And I happen to think the United States will be much better off.

We have too high a reliance on Government in agriculture in this country today. We have a lot of farmers out there in the Midwest, in Minnesota, the Dakotas, Nebraska, Kansas, and a whole lot of other States, who are dependent upon the U.S. Government and the American taxpayer for a very large proportion of their incomes, too large.

Senator BOSCHWITZ. They are producing, as they say, not for the market but for their mailbox.

Ambassador YEUTTER. Yes.

Senator BOSCHWITZ. Let me turn to another important subject, carryover stocks. In wheat, about 525, 530 million bushels. A year ago, there were 1 billion, 400 million bushels.

In the case of corn, I think last year in May the carryover stocks were close to 5 billion bushels, 4.882 billion bushels. Now, they're down to 1.7 billion bushels.

In the event you see that this is going to be a dry winter, and the subsoil moisture is going to be very short, you have some flexibility under the present farm programs.

Could you tell us what you might do in that case if you see a dry spring coming on?

Ambassador YEUTTER. Well, I would prefer not to discuss a lot of this at the moment, because I don't want to have a market impact with everything that is said in this hearing. That's a question that could have a great deal of market impact. So I would rather answer it in a general way, Senator Boschwitz, because clearly we'll monitor that situation with great care in the coming weeks.

I was given a briefing on weather conditions at USDA just a couple of days ago. We are going to do that regularly, so that all of us can keep on top of the situation. And we will look at all the policy ramifications of a continuation of the drought.

In my judgment, it is too early to be coming to any conclusions as to what might be necessary because, ordinarily our rainy months in the Midwest are March and April, as you know, and March and April are not yet here. It's unfortunate we don't have better snow cover there. But this isn't the first year that we've had inadequate snow cover.

So we ought to wait awhile before we make any determinations as to whether we have a truly significant problem on our hands.

With respect to stock levels, Senator Boschwitz, certainly they are coming down, at least in the case of wheat, to levels at which we have to begin to become concerned.

I suppose most people would say, as a rule of thumb, that we ought to keep wheat stocks at something like a billion bushels year to year. That's not sacrosanct, but it's probably somewhere in the ballpark. When we begin to get below that, it ought to wave some red flags for us.

However, that depends to some degree too on what's happening in wheat production elsewhere in the world, and on what's happening with wheat stocks elsewhere in the world. We can't make these decisions in isolation, and we can't judge the adequacy of stock levels in any given commodity simply based upon our own parochial considerations.

Senator BOSCHWITZ. Well, I quite agree.

Senator Conrad, I have a number of studies that have been done on the world price impacts of agricultural trade liberalization. Most of those studies, I might say, indicate that liberalization of agricultural trade will lead to greater farm income. Of a half a dozen studies, five of them very profoundly reach that result, and one of them less so, but still says that prices will be better on the liberalization of trade.

It is certainly true that in agriculture there are far more barriers to trade—when I complete this, it will be in the form of a question in a moment.

In agriculture there are certainly far more barriers to trade than in industrial goods by a long shot. So that the object of reducing those barriers I think is to the benefit of not only the poor of the world, but to the American farmer who always has wanted a level playing field.

And so I ask you, Senator Conrad asks you that, you know, in the event you had a choice between capturing the international market and income, adequate income for farmers, and I hope I am stating that properly, can you in any way imagine capturing a meaningful part of the world trade market and not increasing the income of American farmers?

Ambassador YEUTTER. It's very difficult to believe that it would turn out otherwise. In other words, if we believe that we, American agriculture, gain by increased market share internationally, that should reverberate to the benefit of American farmers if our economic system works at all properly.

Now, it's possible that somebody, the Government or processors, could rake off all of those benefits, and they might never be thrown back to the American farmer, but I really do not believe that's likely to occur. We don't have a Government system that rakes off those additional benefits as do some other countries, Japan for one. And I believe we have sufficient competition in the marketplace that it is unlikely that all the benefits of increased sales are going to go to those who market or process the commodities.

It seems to me that a substantial segment of the value of those sales is going to be passed back to farmers.

Senator BOSCHWITZ. Thank you.

Senator DASCHLE. Thank you, Senator Boschwitz.

Mr. Ambassador, I would like to followup a little bit more with that. This has been an enlightening exchange with Senator Boschwitz.

I don't have the figures before me, but it has been reported to me that in the last year we've seen the volume of exports increase. The actual value of agricultural commodities has decreased.

It relates directly to your response to Senator Boschwitz. But how do you see that, and is that not exactly the kind of scenario Senator Boschwitz was describing where the actual income to farmers is a result of export policy, the value of the dollar; a lot of factors have been impacted to the extent that farmers lost money selling more?

Ambassador YEUTTER. I stand to be corrected if I'm wrong, but I believe it has been the other way around in the last year or so, Senator Daschle, where actually values have been up but volumes have been down a bit.

The values are up because price levels have gone up, aided principally by the drought volumes and drought problems.

Senator DASCHLE. Well, this last year, I haven't seen the figures for 1988. But, in 1986 and 1987, that wasn't the case. And regardless of whether it happened last year or not, we do have recent years within which the volume increased, the value decreased.

Ambassador YEUTTER. Yes.

Senator DASCHLE. Which has presented a problem that I think Senator Boschwitz was addressing.

Ambassador YEUTTER. Well, there are a number of implications to that, Senator Daschle. First of all, of course, I think all of us would like to see both volumes up and values up. That's the ideal outcome and I hope we can achieve it.

I am very interested in the volume side because there we're talking about market share. We lost market share in a good number of our agricultural commodities in the early 1980's. And as I indicated earlier this morning, it's hard to get market share back once it has passed to our competitors.

It is so much better to gain market share and hold and extend it than to lose it. We ought to be conscious of that in our future policy deliberations.

The other part of the question that is of some relevance relates to whether or not we can increase the value of the tonnage that we export, and that gets into the whole question of value added products, that is, selling processed products rather than raw materials.

Everybody in the world, of course, would prefer to buy raw materials from us. They would like to keep the United States in the commodity business. They don't want to buy soybean oil or soybean meal, they want to buy soybeans and do their own crushing. They don't want to buy mixed feeds, they want to buy corn and then do their own mixing. And they don't want to buy processed food products, they want to buy raw food products.

Typically, import restrictions are orchestrated in every country in that manner. In other words, import quotas are smaller for processed products and tariffs are higher in order to encourage the import of the raw materials rather than the import of processed goods.

We would like to have the value added in this country, of course. And that gets back to the question of trade negotiations once again and the priorities that we put on reducing barriers to our processed food products around the world.

Senator DASCHLE. Let me just clarify something you said just a moment ago.

You said that keeping the volume, the share of the market in volume, is something we need to do at all costs.

Ambassador YEUTTER. No, not at all costs. But certainly we ought to look askance at a deterioration in market share.

Senator DASCHLE. If the volume were held at a significant cost, would it be worth it to you to reduce the value, say, by 20 percent, 10 percent? Is there a figure that you would view holding the market share as more important than losing value?

Ambassador YEUTTER. Again, those are all judgment calls that one has to make. Basically, those are going to be made in the oper-

ation of the EEP program. In other words, how large a subsidy do we have to utilize to maintain share?

It is more complicated than that, of course. We use EEP not only to maintain market share, of course, but also to neutralize the export subsidies of our competitors, and particularly those of the European Economic Community.

Now, how far we're prepared to go with a given product and a given country is a judgment call that we have to make every day of the week.

Senator DASCHLE. Oh, we can go on and on about this. But it just seems to me extremely important that we not be so infatuated by volume, and as important as volume is, that it sits meaningless if we've lost so much value. And I think keeping an eye on the value ball is at least as important as that volume ball.

Ambassador YEUTTER. Well, that becomes a question of budgetary priorities. It won't affect the farmer because, if we get the sale, he benefits, except that he's a taxpayer just like all the rest of us. And if we have to use gigantic export subsidies to capture market share, that becomes costly to all of us.

Senator DASCHLE. Just in a further elaboration of your answer to Senator Boschwitz with regard to philosophy, let me state mine and see how closely your view is to mine.

My view is that it is an important function of Government to provide mechanisms within the economy to see that supply and demand are in balance which thereby brings about a fair return on investment to the farmer; that that's an appropriate function of Government given our longer-term goal of ensuring adequate supplies of food and fiber to this country for its economic and domestic needs.

To the extent the market is not working, we have to rely upon artificial mechanisms to ensure that the income provided farmers is adequate to allow them to continue in that role of meeting the needs of our country. That is, if market fails, subsidies step in in the sense of an insurance policy. It's there as a short-term mechanism to provide the offset, if you will, of income farmers need.

Do you disagree with that philosophy?

Ambassador YEUTTER. Well, I'm not sure I fully understand what you just said, Senator Daschle, because it's a complicated area. That is not a criticism of your articulation, it's a recognition of the complexity of the question.

We have to look at this issue globally rather than domestically. It is not a domestic issue, it's a global issue because demand is international. And supply is international.

We could isolate ourselves from the rest of the world and match American supply with American demand. But that would be a losing proposition indeed.

Senator DASCHLE. I agree with that. But certainly when it comes to price, and ultimately income, supply and demand is the only real determinant. I mean there may be artificial factors here which supply and demand will ultimately determine the price of income.

Ambassador YEUTTER. That's correct.

Senator DASCHLE. To the extent that we can have an effect on that equilibrium is the effect that in farm policy we ultimately affect farmers themselves. And I understand your response.

But I think it's critical, as we look to the next farm bill, that that mindset be something that will underscore whatever role Government takes.

Ambassador YEUTTER. You see, one of the problems, Senator Daschle, is that other governments also get into this act and that very much distorts the global supply and demand picture. That's what we're fighting in the Uruguay round.

If we can get governments around the world to reduce their distortions so that the marketplace can function properly the efficient producers will win out. And we think we have efficient producers.

But our efficient producers will not win in global competition if they have to compete against other people's governments.

Senator DASCHLE. Exactly right, which is why the unilateral disarmament question that Senator Leahy had asked earlier is an appropriate one.

Ambassador YEUTTER. Of course.

Senator DASCHLE. We can't put our farmer against a foreign farmer and his government, which is what we may do if we completely eliminate the farm program prior to the time we come to some agreement.

Let me ask you this in further——

Ambassador YEUTTER. That will not happen. It won't happen on my watch.

Senator DASCHLE. Right. And I fully have confidence of that fact.

Let me ask you this. Do you have any reservations, as we look to the hormone ban problem we're facing now, are there any reservations with regard to the utilization of the full force of the trade law should our negotiations ultimately—should the negotiations fail to be resolved?

Ambassador YEUTTER. No, I have no reservations at all, Senator Daschle, about using any or all the tools at our command to deal with that question, because I believe the European Community position on hormones is wrong.

I would hope that will be the ultimate outcome. That's not a decision that I make as Secretary of Agriculture. As you know, that will now be a decision of the U.S. Trade Representative, Carla Hills, or, depending upon the tool that's chosen, possibly the President. But I expect to have some input into that process.

I do, however, still have cautious optimism that we might find another answer before this situation gets out of hand.

Senator DASCHLE. My time is running out.

There is one other minor concern that I promised I would bring up relating to excess Federal property helicopters that the Forest Service may be distributing to State governments in the near future. And I am going to be sending you a letter in that regard and you can respond accordingly.

But, in the remaining seconds I have, what would be your recommendation to the President with regard to the nutrition monitoring bill?

Ambassador YEUTTER. I have seen the briefing materials on that subject, and Senator Bingaman has talked to me about it. He apparently has a very significant personal interest in the issue.

I have seen the general responses that have been provided by the Department of Agriculture in the past, the essence of which is that

the Department believes it is doing most of what's already desired in the nutrition monitoring legislation.

I suspect there might be some debate about whether that is or is not the case. But let me just answer by saying I'm willing to go back and relook at the issue. Senator Bingaman's view, when he discussed it with me a few days ago, was that there was not that much difference between the position of the Department of Agriculture and his position and that of others who have been interested in that legislation. He believes there has been some miscommunication on the question, and that we ought to be able to reach an accommodation of views so that the legislation can move forward.

Maybe that's inordinately optimistic. I can't evaluate that without knowing more about it. But I think everybody is in favor of proper nutrition monitoring. So there should be a way to work out the differences in the coming weeks. I hope we can do so.

Senator DASCHLE. I hope so too. I think that the President, with your recommendation, will see this for what it is. It's a matter of efficiency, it's a matter of providing much more credibility to the whole program. And it's long overdue.

We are going to have a bill again this year so he'll have the opportunity to sign it, and I certainly hope he does.

Thank you, Mr. Ambassador.

The CHAIRMAN [presiding]. This is the musical chair form used by this committee. We'll name it the musical chair form of chairmanship.

Mr. Ambassador, I want to ask a few other questions.

In preparation for these hearings, I probably did more reading of President Bush's campaign statements than the most ardent of Republican campaign workers did.

Ambassador YEUTTER. That's marvelous. I hope you subscribe to it all.

The CHAIRMAN. I knew I was leaving myself open for that. [Laughter.]

But you understand you only beat Senator Boschwitz to the punch on saying it.

Ambassador YEUTTER. I knew I was going to ask if it had any impact. [Laughter.]

The CHAIRMAN. I happen to agree with a great number of these things. I just want to make sure they are going to be followed through.

For example, Mr. Bush said Government must remain a compassionate partner to farmers. I was looking down various areas, and just happened to notice dairy. [Laughter.]

I was going alphabetically. [Laughter.]

Like those hearings we hold in the Northeast. We just pick the States alphabetically, and end up in Vermont every time.

But I note that dairy support has fallen rather dramatically over the past few years. It was $2.3 billion in FY 1986. That's $11.60 a hundredweight.

In fiscal year 1989, it was $662 million or $10.60 a hundredweight. Outlays dropped about 70 percent. And those 3 years now had an impact on farm families, and their view, excuse me, being

parochial, it's the place I understand the most. In Vermont, we've lost 26 percent of our dairy farms since 1982.

Further price support reductions are called for in the farm bill for 1990. But the bill provides the Secretary with discretionary authority, and you can use other supply control measures, that is diversion or the buyout program.

So the question is how far will the support price for milk fall before you could use your discretion to control supply to some of these general means?

Ambassador YEUTTER. Let us hope that it does not fall that far, Mr. Chairman. Recent history would indicate that the probabilities of that happening any time soon are really not all that great.

It seems to me that what you, Mr. Chairman, and your colleagues have developed in the way of a dairy policy in recent years has been working really quite well. As you know, dairy support levels are tied to inventory levels. That seems to make a whole lot of sense. My judgment is that it has worked quite well recently and ought to work quite well in the immediate future, and I hope we do not reach the point where we need to look at other devices to provide income supports for dairy farmers.

The CHAIRMAN. Do you think some of those prices will drop as low as $9.10 a hundredweight, say in the next year or so?

Ambassador YEUTTER. Well, again, you may have a better feel for that than I do at this point, Mr. Chairman. I have not seen anything in the estimates at USDA that would suggest that we have reached that point. If we do, we will cross the bridge when we come to it as to what the response would be. But let us hope that does not occur.

Clearly all of this has budgetary implications once again, as you know. If we have to find ways to provide additional Federal payments to dairy farmers, then we will have to make shifts elsewhere in the budget to accommodate that.

In other words, everything is going to come out of someone else's hide in the coming years. We are not going to be dealing with very many add-ons. So I suspect that increases in dairy supports are going to be greeted with something less than great enthusiasm by corn producers, wheat producers, cotton producers, and rice producers.

The CHAIRMAN. Let us shift to another area.

Again, reading the campaign material, President Bush said: "Those who think we are powerless to do anything about the greenhouse effect are forgetting about the White House effect. As President, I intend to do something about that."

I could not agree with him more. I think it is great news. He sold me on that. And we have had testimony before our Committee to show the greenhouse gases arising at an alarming rate increasing the chances of a climate change. The global warming could have a disastrous effect on our ability to export commodities. Senator Daschle was just talking about the question of exports, and yet this could change our ability as a nation to export.

Now, the study showed the Southeast is likely to be hit hard. They will have smaller crops, there will be major forest losses, there will be increased farm abandonment.

The question, of course, is what about the President's promise? How will that affect policy at the Department of Agriculture?

Ambassador YEUTTER. Well, certainly, Mr. Chairman, all of us are going to have to pay due attention to that potential threat. I have read Assistant Secretary Bentley's testimony to your committee on this subject, and it is apparent from that testimony that the Department already has significant monitoring programs underway. They will obviously need to be sustained if we continue to have evidence or at least preliminary indications that this could be a threat over time.

Clearly, as you well know, we are talking about changes that will take place over decades, so it is nothing that is going to happen tomorrow morning.

The CHAIRMAN. Well, some of these changes are happening today and tomorrow morning. I—to give you an idea—and I—feel free to go back and complete your response. I did cut into what you were saying.

But in the same statement, President Bush said—and again I absolutely agree with this. He said: "The problem of the greenhouse effect is compounded as the Earth loses some of its valuable force because trees naturally use carbon dioxide." So when we lose forests, we lose part of the answer to global warming.

And all the expert testimony I heard agreed with that. It said that warming could ravage our forests here in the United States. The Congressional Research Service documented that with the Government subsidizing logging in a number of areas in this country, they were subsidizing our own deforestation.

If we talk to Third World countries, we ask them not to destroy tropical rain forests. They, of course, immediately come back and say what kind of credibility do you have within your own country as you are subsidizing deforestation? You tell us not to kill our rain forests but your own government is paying to cut out yours.

Can you, as Secretary, take a very hard look—no preconceived notions—a very hard look at the whole program of subsidized logging that we do in this country?

Ambassador YEUTTER. Yes. In fact, I have done some reading on that already, Mr. Chairman. And I will be glad to do that. One reason I am particularly interested in the subject is because we had a major debate with our Canadian friends over their own logging practices. I was a part of that exercise and that stimulated my interest in the practices that we follow here in the United States. So I would like to do that in any case. I will certainly do it because of your interest as well.

And I would go on to say, Mr. Chairman—and this was my reaction as I read the materials on the global warming problem—that irrespective of whether scientists are fully in agreement on whether or not warming is occurring, we nevertheless ought to deal with the uses of this Earth that people believe are causing that trend.

If we are having emissions, sulfur dioxide, for example, from whatever source, as a matter of prudence we ought to deal with that problem. If we are getting into difficulties because of what is happening to the rain forests in Brazil or elsewhere, as a matter of prudence we ought to begin to deal with these issues in a more sen-

sible and rational way with greater sensitivity to the interests of future generations.

My view is that there are policy steps we should consider, and perhaps take, irrespective of whether or not we have compelling evidence of global warming.

The CHAIRMAN. I think it is a major issue. And a lot of people, Senator Wirth, Senator Heinz, have been speaking even this afternoon on global warming. In the Energy Committee we have the question, and in the Agriculture Committee. It is a significant question and a case where Republicans and Democrats all get damaged equally by this and we must work on it.

I have one question, one statement which will end with a question you may want to answer for the record. The question is—and somebody raised this during the noon hour, and you had suggested the hearing is the best place to answer it, and I agree with you. There was the article in the paper I believe this morning of the reception.

Ambassador YEUTTER. Yes.

The CHAIRMAN. Frankly I was surprised there had been nothing in the material that came up from the White House background check, where anybody has raised this question before. Would you care to respond to the obvious question raised in the paper?

Ambassador YEUTTER. Well, yes. When the Philip Morris folks suggested weeks back that they would like to hold some kind of event in my honor because of all the work that we have been doing in the international trade arena on issues relating to that industry, I could see no potential conflict of interest problems in their doing so because I was fully intending to go back to the private sector.

In fact, as you will recall, that event was held on Wednesday during inaugural week, was just 24 hours prior to the conclusion of the Reagan administration. So when the event was agreed to, it simply did not ring any conflict of interest bells because one is not causing conflicts of interest or making decisions that would constitute a conflict of interest in the final 24 hours of an administration. We were not making policy decisions on Thursday before the inaugural.

When that situation changed and the President asked me to become his nominee as Secretary of Agriculture, we probably should have reconsidered the matter because of my expected continuation in government.

Frankly, I just did not think about it. We were so busy dealing with hormone issues with the European Community and wrapping up all the trade problems at USTR and getting ready for the transition to USDA, it just totally disappeared from my attention screen.

The CHAIRMAN. If it is any consolation, Mr. Ambassador, my mother and my wife and I attended that reception, and the thought never occurred to me either. I was wondering whether anybody had ever raised the question, whether from the White House or anybody else?

Ambassador YEUTTER. No, they had not. And it was nice of the Philip Morris people to want to say thank you. It is unfortunate that when people try to say thank you, it becomes a potential conflict of interest issue. But that is the way the world is these days.

The CHAIRMAN. As I said, the thought never occurred to me either, but I thought if the question was out there, it would be easier to answer here.

I will have a number of questions for the record which I will give you. I will not take more time. I will allow the others—I know Senator McConnell and others wish to ask questions. I will conclude with this.

We have been reading President Bush's campaign promises—and incidentally the points I have been reading, I read them because, one, I agree with them; and secondly, I believe that President Bush does too. He said that infant mortality is unacceptably high in this country. The United States only ranks 19th in infant mortality rates among industrialized nations. At least half of these deaths are preventable. George Bush will request sufficient funding for important programs designed to reach young children such as the Supplemental Food Program for Women, Infants, and Children.

The Surgeon General's report on nutrition and health speaks of low birth weights, it says infants have greater risks for handicaps, birth defects, and other medical problems because of the low birth weight problem we have in this country. In fact, the average hospital cost for these infants is estimated between $12,000 to $39,000.

Now, the WIC Program, by every single report, greatly reduces the incidence of low birth weight babies. It reduces Medicaid and other medical costs. Aside from the fact that it is the human and humane thing to do, as far as dollars and cents it makes a great deal of sense.

WIC is an extremely cost-effective program in improving the health of infants and children. I believe, sir, you agree with that.

In the campaign, the President said he would seek—in fact, promised he would seek sufficient funding for WIC. Well, today WIC serves less than half of those eligible. Former President Ford and Carla Hills said in the American Agenda Report that it is one of the best investments the country can make in its own people and urged expanding the WIC Program and that it should be a top domestic priority.

A lot of pregnant women are still being turned away around the country, placed on waiting lists. And when you are on a waiting list when—pregnancy is no more than 9 months. To be on a waiting list sometimes does not help at all. In fact, only 50 percent, as I have said, of those eligible for WIC are served.

So my question, having said all those things, Mr. Ambassador, will you commit to this committee, to the country, and to the President, that you are going to fight like mad so that commitment to WIC will be carried out?

Ambassador YEUTTER. Mr. Chairman, I rate that program probably higher in priority than any of the food programs that exist in this country and that are funded in the budget of the U.S. Department of Agriculture and perhaps higher than a good many other priorities within the Department of Agriculture as well.

When I compare priorities between that program and some of the school lunch subsidies that we provide to children in the 180 percent of poverty category, there is no comparison. One reason I feel that way, Mr. Chairman, is because I was Assistant Secretary for Marketing and Consumer Services when we launched the WIC

Program. I cut the ribbon on the very first WIC Program. And WIC has functioned very well indeed.

I was an advocate of that program, within USDA and at OMB, at a time when most other folks in my administration were not. So it has been close to my heart for a long time. And the answer to your question is yes.

The CHAIRMAN. Thank you.

Senator McConnell.

Senator MCCONNELL. Thank you, Mr. Chairman.

Mr. Ambassador, you I assume are somewhat familiar with Kentucky, but I would point out that we are a medium-sized State. We have 3½ million people, which translates into seven Congressmen. Yet we have almost 100,000 farms, which ranks us number four in the country in terms of the number of farms.

The reason for that is the Federal Tobacco Program. Tobacco, I do not have to tell anyone in this room, is probably the most unpopular commodity of the various agricultural commodities. And there are some who say that the Federal Government has no business being involved in the tobacco program, and it ought to be abolished.

That, of course, ignores the fact that the Federal Tobacco Program does not cost the Government any money. The tobacco growers themselves since 1982 have paid what is called a no-net cost assessment which provides the carrying costs, if you will, for a program which is essentially a mandatory production control program.

In 1985 we passed a tobacco reform proposal at a time when the program was reeling under extensive surpluses. Prices had dropped dramatically. The tobacco companies as part of that compromise agreed to buy up surpluses over the next 4 or 5 years. This year this particular program is going to enjoy a 24 percent quota increase and a 3 cent a pound price support increase. In short, prosperity is coming back to the tobacco grower at no cost to the Government.

Not only is it no cost to the Government, but if the tobacco program were ended, as some would like, tobacco would simply continue to be grown, but by a few big corporate farmers. The typical tobacco grower in Kentucky has 2,400 pounds, which amounts to about three-quarters of an acre. That is the typical grower. He is the little guy. If you eliminated the Tobacco Program, which cost the Government no money, tobacco would simply be grown by big growers.

So my first question, Mr. Ambassador, is do you support the Federal Tobacco Program?

Ambassador YEUTTER. Well, Senator McConnell, I would say that I subscribe to your assessment of the status of that program. The tobacco industry is doing really quite well today. Your tobacco growers have a much healthier economic situation than they had earlier. I like to believe that we at USTR had at least a little something to do with that.

Senator MCCONNELL. I was going to get to that in a minute.

Ambassador YEUTTER. Thank you. But aside from that, certainly there should be no complaints from the American taxpayer on this score because that is an irrelevant issue in terms of evaluating the program.

As to whether it should or should not have some changes in terms of the basic underlying principles or philosophy of the program, I would like to withhold any final assessments on that because we will obviously want to look at it once I get to USDA as I would look at all other farm programs.

Senator MCCONNELL. It of course does not come up for reauthorization. It is not a part of the farm bill. It is a perpetual——

Ambassador YEUTTER. Yes.

Senator MCCONNELL [continuing]. Program. But I think it is important to use this forum to disabuse people of the notion that somehow if the Tobacco Program were ended, tobacco production would be ended. It would simply shift to other hands.

Ambassador YEUTTER. Yes.

Senator MCCONNELL. I think it is also important to disabuse people of the notion that if Americans did not export leaf tobacco or cigarettes, somehow there would not be as much smoking in the world. I recall being in Turkey for 4 or 5 days a year and half ago, and it is no exaggeration when I say I did not meet a single Turk, male or female, in the whole week who did not smoke. I personally do not smoke. But the country seemed to be engulfed in a haze of smoke.

Whether we like it or not, there is smoking out there in the world. And the question is whose cigarettes are they going to smoke? And I particularly want to commend you for the outstanding leadership of USTR in helping to crack open what I think clearly has been the toughest market in the world to crack open for everything, and that is Japan.

Ambassador YEUTTER. Thank you.

Senator MCCONNELL. And as a result of your effort and other efforts, I think a well-coordinated collective effort, we went from a 2 percent market share to an 11 percent market share in Japan in little over a year. And it is one of the great success stories in opening foreign markets. And I want to commend you for it.

Ambassador YEUTTER. Thank you. And that is a lesson we should keep in mind for all our other agricultural products too. Because it is a classic example of the fact that if we hang tough and negotiate skillfully, we can open markets. We did it, it is working, and it has added very substantially to the incomes of an awful lot of farmers in your State and elsewhere.

Senator MCCONNELL. Absolutely. To put that in terms of dollars in the pockets of Kentucky Burley growers for this coming season, you are talking about probably, $120 to $150 million, new dollars to small farmers. In my State they almost are not any large tobacco farmers. So this money is going straight to the little guy that we all profess—those of us interested in agriculture—to be interested in, the little guy, the small farmer. Well, boy, this program clearly benefits the small farmer.

Ambassador YEUTTER. It is a lot more fun, is it not, Senator McConnell, than fighting for additional Federal subsidies?

Senator MCCONNELL. Absolutely. And of course, the other good thing about the Japanese success story, we had one other Kentucky product that did well in Japan, Kentucky Fried Chicken. But that was easy because they did not have a competing product there in Japan. In the case of cigarettes and tobacco, you had Japanese to-

bacco growers. I never will forget Prime Minister Nakasone's district was predominantly tobacco growers.

So we showed in the case of tobacco in Japan, under your leadership, that it is possible to go in even against a well-entrenched competing domestic product and still do it.

Ambassador YEUTTER. That is right.

Senator MCCONNELL. Which leads me to the question, in your judgment as a result of your experience over at USTR what are the next prime markets for both cigarette export and leaf tobacco export?

Ambassador YEUTTER. I do not have a good assessment for that, Senator McConnell. I would rather answer knowledgeably. So if you would give me a chance to contemplate that and talk to some of the experts, I would rather come back with an answer at a later time on that one.

Senator MCCONNELL. It is safe to say, I assume, that you are going to continue your interest——

Ambassador YEUTTER. Oh, yes.

Senator MCCONNELL [continuing]. In this area? Because we have shown it can work. The American cigarette is the most popular cigarette in the world, in some Eastern European countries it is the currency. If you are in Rumania and you want to get a cab to go downtown, you do not pay them in the local currency, you pay them with American cigarettes.

So we have here a product—whether we like or do not like the health implications of all of this, we have here a product that is widely accepted throughout the world, widely considered to be the best. And I think we have great potential for success.

And I just wanted to take this opportunity this afternoon to thank you and also to make the point—not only to those in the audience but to others—that the Tobacco Program cost the Government no money, a; and b, if it were eliminated, tobacco would still be produced in this country in great quantities, probably by a few large growers. As a result of the program, it is produced by hundreds of thousands of little farmers.

Ambassador YEUTTER. I might just add one supplemental comment, and that relates to the fact that we have had some countries say that we are trying to force them to consume American tobacco products. We should clarify that at no time have we ever done that in any country anywhere in the world. All we have said to them in our negotiations is that they cannot be discriminatory.

They cannot have their market open for their own tobacco products or somebody else's tobacco products and keep American products out. They have to treat us the same way they treat everybody else, including their own industry. And as long as they will do that, we will take our chances.

We finally have been able to convince some countries that that is the proper way to run their business. They are running their business that way now, we are benefiting tremendously, and we should.

Senator MCCONNELL. Absolutely. You are right on the mark. And of course, I do not want to neglect mentioning Korea, the Republic of Korea which I think is on the verge of being substantially open. And your office was invaluable in that effort. And I am hoping that Ambassador Carla Hills will continue the effort.

There are marvelous markets out there for this product. China is another example, a country with a lot of smokers with no current options.

And, anyway, I congratulate you for your work on behalf of that particular product. It means an awful lot to the Commonwealth of Kentucky. It is our number one cash crop by far. And we appreciate your efforts and look forward to working with you in your new position.

Ambassador YEUTTER. Thank you.

The CHAIRMAN. I believe the next in line is Senator Pryor.

Let me also, just for my colleagues, suggest what I would like to do. We have a series of votes that begin——

Senator PRYOR. At 4:45.

The CHAIRMAN. At 4:45. With the leadership here——

Senator PRYOR. Not on issues like that.

The CHAIRMAN. There are nominations among other things.

Senator PRYOR. Oh, that is right. The pay raise comes later.

The CHAIRMAN. And what I probably would do is continue—anybody that has questions up to that time do so. If anybody has further questions they would like to ask in open session, we will either arrange to do it today or early tomorrow. I would prefer today. If people have questions they wish to submit for the record, I would want those in today. Ambassador Yeutter is already committed to expeditiously turn those around as quickly as possible.

Assuming that it meets with no objection from Senator Lugar, if you are able to complete it that way and have the answers back by Monday, then I would schedule a business meeting on either Tuesday or Wednesday, depending upon—I know some Senators are going out of town, I do not know when they are getting back—and have the vote then. I have been assured by the leadership that once we are completed in the committee, that the matter will go as expeditiously to the floor as possible.

Is that okay with you?

Senator LUGAR. Do you contemplate Tuesday or Wednesday as the time for the business meeting?

The CHAIRMAN. Yes.

Senator PRYOR. Yes. Thank you, Mr. Chairman.

I wrote the Ambassador a note a few moments ago apologizing for my long absences today in the committee. And I wanted to add as others have already expressed, Mr. Ambassador, our thanks for your years of public service and the continued opportunity to work with you in your new capacity.

Mr. Secretary, last fall—Senator McConnell has talked to you about one of his major crops, being tobacco, and of course you know that one of our major crops is rice. Back in October at USTR when you denied the Rice millers and Rice Council's petition, the 301 petition, filed against Japan I think I properly thrashed you and beat you around the head and shoulders enough during that period not to do that again in public.

I would like to request through written responses, Mr. Ambassador, to ask generally for an explanation of your decision at that point for the denial; second, what is your opinion of the situation with the next Uruguay rounds in these trade discussions; and

third, the timing of the issue before us as it pertains to a possible resubmission of the 301 petition in regard to rice in Japan.

The other question I would like to ask for the record—and I am not going to take my full time because I have a meeting with Congressman Claude Pepper that starts at 3 p.m., over on the House side and I am late—has there been a discussion, Mr. Ambassador, about most-favored-nation status or about the Jackson-Vanik issues?

In the Soviet Union, of course, we have seen a 40 percent shortfall in their crop. I am wondering if there is any signal from the administration with regard to the Soviet Union most-favored-nation Jackson-Vanik relaxation that you might be willing to share with this committee at this point?

Ambassador YEUTTER. There is certainly no signal at this point, Senator Pryor. That is an incredibly sensitive issue.

Senator PRYOR. I know it is.

Ambassador YEUTTER. And would not be surfaced until and unless there was a lot of internal discussion within the administration on whether any change would be in order. That discussion has not yet taken place.

There has been discussion here on the Hill, as you know, among people, some who feel that things are happening in a forthright and encouraging way in the Soviet Union, and we ought to begin to reconsider the issue of the Jackson-Vanik amendment, and other impediments to trade.

But it will take a while for that assessment to be made in any new administration. This is a major foreign policy question as well as a question of economic policy, and I am sure that Secretary Baker and President Bush will want to carefully and deliberately evaluate and analyze that issue along with all other issues in U.S.-Soviet relations.

So my judgment, Senator Pryor, would be that one cannot expect anything in the immediate future on that subject, but it is certainly a proper issue to raise in light of the rather rapid transformation of the Soviet Union in some of these areas.

Senator PRYOR. Mr. Ambassador, I appreciate that. My final question—and once again, you do not have to answer it now—but forthcoming to you in writing, sir, will be the issue of early repayments of FFB loans, for REA borrowers the prepayment, I should say of those loans.

I will state that question in writing, and will look forward to your response on that and the issue of rice.

I thank you and we wish you well. Mr. Chairman, I am yielding back a few moments of my time. I am sorry that I have to leave.

The CHAIRMAN. God bless you.

Senator PRYOR. Thank you.

The CHAIRMAN. Senator Lugar.

Senator LUGAR. I have no questions, Mr. Chairman.

The CHAIRMAN. Senator Kerrey.

Senator KERREY. No questions, Mr. Chairman.

The CHAIRMAN. Senator Boschwitz.

Senator BOSCHWITZ. I will ask the Secretary a question that will not take my entire 10 minutes. Almost by way of comment, I will

also submit one question about the School Lunch Program which is a rather long and technical one, for the record, Mr. Chairman.

And you have asked my question regarding the greenhouse effect which I hope that the Department will very actively pursue. Interestingly, part of the whole decoupling bill that will lead to the use of fewer nitrates, and other types of chemicals would have a very positive effect not only on groundwater but on the business of greenhouse effect.

And I also note my questions about the REA have been asked.

I would like to make the comment in response to Senator Daschle's comment about the fact that we ship out more in volume, and we get less for it than we had the preceding year for less volume.

I have looked at the figures, and I have never seen that happening in the 1980's. It came close, I must admit, in 1987, when income went up 6 percent, and shipments went up about 16 percent.

I note that in 1988 shipments rose 12 percent, and the volume of income, the income rose 20 percent. So that as you indicated, the prices did go up and the volume of shipments went up as well.

But as I look at each year, 1981 through 1988, there is no instance of volume increasing, volume of shipments increasing and tonnage, and the total value of the shipments decreasing.

So that in each year, where there was an increase in volume there was an increase in the volume of dollars as well, and I make that more by way of comment than by question, unless you would like to comment on that.

Ambassador YEUTTER. No. I will happily accept your explanation.

Senator BOSCHWITZ. Yes, and lots of charts and graphs that you wish—you know, we may have to reduce the ag budget. We may be compelled to. It may be that you will be leading the way to do that, and we will be looking for constructive means of achieving that.

I think that one of the constructive means might be introducing a little bit more flexibility into what the farmer can plant, and so forth, and I look forward to working with you on that, and look forward to working with you on all the subjects.

If there are no further questions, I would——

The CHAIRMAN. Senator Conrad has some further questions, Senator Kerrey has one more, and then if there is no one else, well, then I would take prerogative of the Chair for about 2 minutes.

Senator CONRAD. Thank you, Mr. Chairman.

This whole question about volume and value reminds me of the story of the merchant who was buying hammers for $14 and selling them for $9, and he went to Senator Boschwitz for business advice—which may call into question his judgment—but nonetheless, Rudy pointed out to him that he was losing $5 on every hammer he sold.

And the fellow was still very excited and indicated he would make up for it in volume.

Senator BOSCHWITZ. That is an old Jewish precept, I might say. [Laughter.]

Senator CONRAD. There is a good lesson in this, Rudy.

Senator BOSCHWITZ. Yes; yes. You lose a little on each sale but you make it up in volume.

The CHAIRMAN. We have never worried about mixing religion and politics. [Laughter.]

Go ahead.

Ambassador YEUTTER. Somehow Senator Boschwitz parlayed that into an awfully good net income. [Laughter.]

The CHAIRMAN. If we all could do as well the question of a pay raise would be moot. Go ahead.

Senator CONRAD. Sorry. Just thought I would slide that one in while I had a chance.

Well, I do think it is important. We all know that the bottom line, of course, is what your net is, and volumes over time are terribly important to our having a base for our American agricultural industry, and I think virtually all of us have a strong belief that we would need to be aggressive in the export markets.

I must say it was not without a certain sense of irony that I listened to Senator McConnell's questions, after you earlier had indicated your basic philosophy, which clearly goes against the fundamental grain of the Tobacco Program.

The Tobacco Program is pure and simple a supply-management program, and the fact is it has worked quite well for the producers of tobacco in this country.

You had indicated that you have a philosophical difference. You have indicated it many times, and so I must say I watched that whole exchange with some sense of irony.

Ambassador YEUTTER. I hope you noticed that I answered his policy type questions very carefully.

Senator CONRAD. Yes. I noticed. Very carefully. In fact I was surprised he did not follow up, but perhaps he knew what kind of an answer he would get.

It does go back to the central question that I asked earlier, because there is tension in this question, and it is one that we need to address openly and honestly among each other because it is terribly important.

It goes to the question of the study that I had asked for earlier, because if, in fact, we have evidence that our producers would lose under a theoretical concept that has appeal as a theoretical concept and construct, then the question is what do we do?

Ambassador YEUTTER. Exactly.

Senator CONRAD. Do we pursue something that is attractive to us in terms of a philosophy, or do we put more weight on what is good for our own people in terms of their financial well-being? And it is a very difficult tension that develops from that.

Ambassador YEUTTER. Sure.

Senator CONRAD. And I have pursued it with you and——

Ambassador YEUTTER. Let me elaborate, if I may, just very briefly.

Senator CONRAD. Yes. I will open it up for your comment.

Ambassador YEUTTER. One reason I immediately question that study and want to take a look at it is that implicit in the presumed result is a conclusion that the United States is not internationally competitive in agriculture. It seems to me we are competitive. Again I would have to look at their assumptions in order to really evaluate the study.

My assumption would be that the United States is internationally competitive in—perhaps not all agricultural products—but a very vast majority of them.

And implicit in my hypothesis or assumptions would be that we are likely to sustain that competitiveness over time, and I would hope I would be able to influence that positively as Secretary of Agriculture.

That depends on what we do in research, development programs, technology, management techniques, cost-reducing efforts, and a whole lot of things.

But if we do the right things in agriculture over the next 5 to 10 years, we ought to add to our international competitiveness rather than subtract from it.

That is, add to the basic underlying competitiveness, ignoring exchange rates and a lot of other things.

Senator CONRAD. If I might intercede just on that point, because that is very central to the question.

What happens if, in this country, we pursue a monetary and fiscal policy that greatly disadvantages commodity producers? Which, by the way, is precisely the policy we have been pursing with these tremendous deficits?

Then what do you do about that farmer out there who, through no fault of his own, is suffering, as mine certainly are?

You look at 1987. Cash receipts for food grain, feed grain, and oilseed producers, were the lowest they have been in 25 years, if you factor in inflation. In real dollars we received from the cash marketplace less than half of what we received in 1980, and, very frankly, I think that argues for some kind of stabilization program.

As much as I might want to have all of the income come from the marketplace, if we have an overall context within which we operate, that makes it impossible for the farmer to have anything that is stable, and anything that allows him to have a reasonable return, then I say you have to have some offsetting Government action.

If one set of Government actions put him at a great disadvantage, then Government has got some responsibility to be there with a safety net.

Ambassador YEUTTER. I concur. I would not disagree with that at all, Senator Conrad. If we have a situation that disadvantages our farmers internationally, then Government has an obligation to make sure that the safety net is a satisfactory mechanism.

But I hope we do not get to that situation. Obviously that depends on a lot of things that we do and other countries do, and it depends on how well we do in the GATT and other negotiations.

With exchange rates having adjusted as much as they have, we are very price competitive with our agricultural products today, almost anywhere in the world. Yet we cannot get products in because of trade barriers and because of having to fight the export subsidies of some of our competitors.

If we did not have export subsidies to battle today, if we had open markets in Western Europe and elsewhere, and if we did not have a variable levy system in Western Europe, we would be moving a lot of farm product into the global marketplace, and your farmers would be a lot happier than they are at the moment.

Senator CONRAD. Let me just pursue the USDA study with you for a minute. You had indicated you had seen a one-page summary, or whatever, of the study that had been done at USDA, and I assume that was at ERS.

Could you give me some ballpark idea of when you had seen that?

Ambassador YEUTTER. I think one was a newspaper article, but I am not sure whether it was a newspaper article or some other document.

I am not sure when it was. I am guessing—2 or 3 months ago perhaps. I am not sure anymore. I read so voluminously I just do not keep track, but it must be something in that ballpark.

Senator CONRAD. Did you pursue the issue at all, at that time, from USDA? Did you ask for the details of it?

Ambassador YEUTTER. No, because my immediate reaction was that there has to be something wrong with that study because it certainly would not fit with anything I know about American agriculture.

Senator CONRAD. Let me follow up on the question of trade distortive practices.

Do you consider target prices to be trade distortive?

Ambassador YEUTTER. Yes, to a degree. Not nearly as trade distortive as export subsidies. Not nearly as trade distortive as quota programs. But trade distortive to some degree, certainly, the reason being that target prices clearly do provide a stimulus to agricultural production.

They help encourage producers to grow products, and to the degree that they might not have grown as much had they not had that target price assurance, that adds to production here, and deprives others around the world of a market share that they might otherwise have.

Senator CONRAD. Let me just move ahead to another area. You talked about quotas, and that brings up, quite naturally for my area, as it does for Senator Boschwitz', the sugar program.

And for the record, I want to bring up and give you an opportunity to talk about an interview that occurred a couple of years ago, I think in January of 1987 in Kingston, Jamaica.

You were quoted then in the Journal of Commerce as having said that the aim of the adminstration would be, "The eventual phasing out of sugar production in the United States."

You are also quoted as saying, "I do not like the present sugar policy. It is worse today than it was in the 1970's. It should be changed and phased out over time."

Now, as Secretary of Agriculture obviously you have a somewhat different constituency, and in contrast to those expressed views, or I should say quoted views, because I think we always want to hold out the possibility that there may have been misquotation or misrepresentation of your views or remarks.

George Bush, when he was running, made very clear in a series of appearances, that under a Bush adminstration—I am quoting now—"a sugar program will continue," and he added he would insist sugar import quotas remain until the international sugar market becomes a, quote, "level playing field."

I would like to give you an opportunity to respond, for the record, to that question.

Ambassador YEUTTER. Sure. I would be glad to do so because at the time that article came out it generated some consternation within the American sugar industry, which is understandable, and I sought to correct that impression then. I hope I did so but I will do it again today.

The first sentence of that quote is completely erroneous and some of the rest of it is a severe distortion of my views.

I will tell you what my views are on the sugar program, Senator Conrad. They are no different today from what they were then, or a number of years earlier.

Clearly, our sugar program is subject to criticism in terms of the philosophy that I articulated to Senator Boschwitz earlier, and the basic philosophy that I have been articulating in trade negotiations over the last 3½ years.

It is a long way from a free and open marketplace, and I would like to see us move in sugar to a much greater reliance on market forces, less reliance on high price support levels and import restrictions.

As you know, Senator Conrad, we have had a lot of criticism from the Caribbean Basin, and elsewhere, for the tightness of our import quotas in sugar, and with considerable justification.

Sugar support prices in the United States have been far higher than world market prices in sugar on numerous occasions. At the same time, we have to recognize that this is a product in which there are enormous distortions throughout the world.

We are not the only sinner in sugar policy. There are a lot of others in the world, including one, the European Community, that I would place in a category by itself.

And so my answer to our sugar industry, and everybody else around the world, is that we are not about to make major changes in sugar policy here until and unless other people make them as well.

That was the essence of President Bush's comment. I fully agree with it. We are not going to unilaterally disarm in sugar any more than we are going to unilaterally disarm in anything else. We absolutely cannot do so until our major trading partners are prepared to deal with the distortions that they provide in sugar throughout the world.

It is one of the most severely distorted commodities in the entire world of international trade, and we are among the distorters but there are lots of other distorters as well.

If we fix this matter we have to fix it together with all the major sugar producers of the world, and that is going to take some very rugged negotiating.

As you probably know, our sugar industry did a study of how they would come out under free and open trade, and decided that the situation looked pretty good.

They are concerned, of course, that we might unilaterally disarm, that we might make major changes in policy here without achieving our negotiating objectives elsewhere, which would give them the worst of all worlds. I can simply assure you, Senator

Conrad, and assure them, that that will not take place on my watch either.

Senator CONRAD. I appreciate that answer.

The CHAIRMAN. Thank you. Senator Kerrey, you had a question I believe.

Senator KERREY. No, Mr. Chairman.

The CHAIRMAN. You did not. All right. Then Senator Lugar, did you have anything?

Senator LUGAR. No questions.

The CHAIRMAN. I want to express my appreciation to Senator Kerrey, who is a new member, for staying through the whole hearing. I know you have a constituent here. I appreciate it very much, and the involvement of all the members. I will just close with this, Mr. Ambassador.

You know, I am very proud of my own rural roots. Vermont is virtually completely a rural State, and after 150 years of Leahys there, I suppose that shapes some of your thinking.

But I have also been to the rural parts of your State, too, sir, and been very impressed by it, by the sameness in people, the same kind of sense of their roots, of who they are, their willingness to help each other, and the desire to have a life in rural America.

The Rural Voice Foundation did a survey, and found that the vast majority of people in rural America want to stay there for just what they see as the best: the sense of neighborliness, honesty, environment, low crime, and all these other things.

But they also have a great concern over whether their children can do that. Whether the jobs will be there, the economic development, and so on.

I stated earlier that we will try to move a rural development bill out of this committee. I would hope that you, and your office, can work very closely with us on that, and I would hope that you would look at that part of the law, 96-355, which talks of the Secretary providing leadership within the executive branch for coordinating rural development, and work with the REA and Farmers Home, the Forest Service, ASCS, Extension Service, Soil Conservation Service, and the Office of Transportation, on rural issues.

We cannot have this country, as it goes into the next century, drift into a situation where you have one America, urban America and another America, rural America. They are different; nobody is expecting them to be the same.

But opportunities ought to be there for both.

Ambassador YEUTTER. Yes.

The CHAIRMAN. And so I would ask you to join with me, and with Senator Lugar, and as many others, on both sides of the aisle, who want to have this kind of rural development.

Mr. Ambassador, I have been very impressed, as I expected I would be, with your responses here. I am delighted that Mrs. Yeutter could join us here today, too.

I think President Bush has done us all a good service in nominating you to be the Secretary. I appreciated very much my relationship with your predecessor, Dick Lyng. It was a good one, based on mutual trust and respect for each other's competence.

I have an enormous amount of respect for yours. I have known you for just about all the time I have been in the Senate.

You have taken on a lot of arduous jobs, and I know that this committee is anxious to work with you. So, I applaud you for being here. We will submit some questions a number of us have for the record. I ask you to try to get them back to us by Monday.

Senator Lugar and I will work with the other Senators to try to get a business meeting either Tuesday or Wednesday, so that your nomination can move to the floor.

I appreciate you being here. I commend you, but as I said to you earlier when we spoke, I offer you both congratulations and condolences.

I truly think you are taking on one of the most difficult jobs in government, but I think the President has done us all a service by picking such a competent person to do it.

Ambassador YEUTTER. Thank you, Mr. Chairman. It has been a pleasure to be with all of you today, and I look forward to it, for a long time to come.

The CHAIRMAN. We stand in recess.

[Whereupon, at 3:55 p.m., the committee was adjourned, subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

February 6, 1989

Honorable Patrick J. Leahy
Chairman, Senate Committee on Agriculture,
Nutrition and Forestry
328A SROB
Washington, D.C. 20510

Dear Mr. Chairman:

It was a pleasure to appear before the Committee on Thursday and have the opportunity to share my views with so many old friends.

Attached are my answers to the questions submitted by Members of the Committee following the confirmation hearing. We have indexed the answers and have grouped them according to the Senators who submitted them. We hope that this will be helpful to you.

Again, thank you very much for the courtesy which you and all Members of the Committee have extended to me. I appreciate the manner in which you are expeditiously handling this confirmation process.

Sincerely,

Clayton Yeutter
Secretary-designate

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QUESTION FROM SENATOR LEAHY #1

President Bush stated in his Campaign Platform that he was willing to consider expanding the CRP to include environmentally fragile lands, particularly those that pose a threat to ground water. On November 21st of last year, a letter was sent to Secretary Lyng by myself and several of my colleagues urging the Department to broaden the CRP guidelines to include cropland whose continued use threatens ground water resources. Two months after its transmittal the Department has not yet responded to our letter.

QUESTION:
Do you think the CRP should be expanded to specifically address ground water issues?

ANSWER:
The CRP has been expanded to provide greater surface and groundwater benefits. Land to be devoted to filter strips to protect water bodies has been eligible for enrollment into the CRP since February 1988. Cropped wetlands and lands susceptible to scour erosion because of periodic flooding are now eligible for inclusion into the CRP. These lands do not have to be highly erodible.

I am prepared to examine other possibilities as well, because ground water quality will be an important objective of my tenure at USDA. But we need to address whether that objective can best realized through an expansion of CRP or in other ways. In other words, we ought to deal with this issue in the most cost effective way.

QUESTION FROM SENATOR LEAHY #2

QUESTION:
The timetable set for the remaining CRP sign-ups means we have a month, maybe two, to begin taking action on targeting the CRP to ground water resources. Can we expect you to consider this request and give us an answer promptly?

ANSWER:
Currently the 8th CRP signup is underway and continues through February 24th. The next signup is scheduled for later in 1989. An additional signup is scheduled in 1990. Therefore, we'll have numerous future opportunities to review the CRP as it relates to water quality concerns.

QUESTION FROM SENATOR LEAHY #3

QUESTION:
The Conservation compliance provisions of the Food Security Act have communicated to farmers an important message - that the Federal government cannot support agricultural production practices that lead to environmental degredation. In the conservation compliance case the law has provided significant incentives to farmers to stop excesive cropland soil erosion losses and the associated on and off-site damages. We are entering a crucial phase of the program. Conservation plans still need to be prepared on 40 to 50 million acres, and starting January 1, 1990 plans will need to be implemented on roughly 140 million acres of cropland.

How would you plan to ensure, in the role as Secretary of Agriculture, that these remaining conservation plans will be prepared so as to achieve the goals of the legislation? Please include some discussion of how the "alternative" management plans that have been authorized in the Field Office Technical Guides will be prepared to ensure that significant erosion control will occur?

ANSWER:
Completion of the conservation plans required under the conservation compliance provision remains the number one priority of the Soil Conservation Service (SCS). The SCS, in carrying out its responsibilites in implementing conservation compliance, has instructed its state offices to work with the local soil and water conservation districts to establish conservation systems that are economically and technically feasible. These systems will significantly reduce erosion on highly erodible lands. SCS is closely monitoring the implementation of this provision to assure that, in fact, the field office technical guides will achieve the purpose of reducing erosion. This effort is being accomplished through internal oversight and supervision of field offices by SCS and through several independent studies aimed at evaluating implementation of the conservation provisions of the Food Security Act of 1985.

We believe that these steps will assure that implementation of the conservation compliance provision will accomplish its objective. This is a high priority program for me. We'll monitor it carefully.

QUESTION FROM SENATOR LEAHY #4

QUESTION:
Given that implementation of these plans is to begin in less than a year, how do you foresee implementation will proceed? How would you plan to ensure that the conservation activities required in the plans will in fact be adopted, and that their adoption will take place in a timely manner?

ANSWER:
The conservation plans that are being prepared under the conservation compliance and sodbuster provisions contain specific schedules for the implementation of the planned conservation practices. SCS field staffs have been instructed to schedule the practices as early in the 1990-1995 installation period as possible consistent with the financial and other capabilities of the producer to carry them out. The availability of USDA funds and personnel will also be an important factor. These specific schedules should allow producers to have a clear idea of what is expected of them, and allow USDA to monitor implementation. Indeed, 18% of the practices scheduled in the plans have already been applied.

Our rules and regulations call for self-certification by producers that they are implementing the conservation practices as scheduled. SCS is implementing a spot check procedure to assure implementation.

QUESTION FROM SENATOR LEAHY #5

QUESTION:
Are you prepared to continue providing technical assistance to the nation's soil and water conservation districts?

ANSWER:
The memorandum of understanding between the Department and each soil and water conservation district calls for continued USDA assistance. We fully intend to provide the technical assistance that is detailed in these memoranda. We recognize that the implementation of the conservation provisions of the Food Security Act of 1985 has caused a shift in priorities from activities that do not directly relate to reducing erosion on highly erodible croplands. However, most conservation districts are using the conservation compliance provisions as a means to further their efforts in reducing soil erosion from cropland. In addition, the updated National Conservation Program calls for us to strengthen our working relationship with these districts. This should also improve their capabilities to address more localized priorities.

QUESTION FROM SENATOR LEAHY #6

QUESTION:
What are your plans for the future of soil and water conservation programs at USDA?

ANSWER:
As a farmer I understand the importance of soil and water conservation to this nation. As Secretary, I will review current Department efforts, and implement, as appropriate, changes that will make them more effective. We'll do all we can within the obvious budgetary constraints.

QUESTION FROM SENATOR LEAHY #7

QUESTION:
The Kean Commission Report recently recommended that the concept of "no net loss" be applied to the Nation's wetlands. President Bush also endorsed this concept in his August 31 campaign speech, when he said that, quote, "Our national goal should be no let loss of wetlands". If this principle were applied to the wetlands affected by the Swampbuster Provision of the Food Security Act (the "FSA"), a wetland could be drained for agricultural purposes and the landowner would remain eligible for USDA program payments as long as a wetland of comparable size and use was created at the same time.

What are your thoughts about the Kean no net loss recommendation, relative to the Swampbuster Provision, in light of President Bush's stated position?

ANSWER:
I agree with the concept of the wetland provision of the Food Security Act that federal agricultural programs should not encourage the expansion of cropland on environmentally sensitive lands. It is simply sound logic that the national goals of producing the Nation's food and fiber should be as consistent as possible with maintaining environmental quality. I believe the wetland provision of the Food Security Act helps us accomplish that consistency objective. The Kean Commission Report seemingly suggests the need for additional flexibility in carrying out this objective. Perhaps there will be occasions when the "no net loss" concept should be applied; for each individual situation is a bit different. That is why flexibility and common sense are called for in all these programs. But this would clearly be the exception rather than the rule.

QUESTION FROM SENATOR LEAHY NUMBER: 8

QUESTION:
How will your Administration redirect USDA's research budget so that it properly reflects the importance of biotechnology to agriculture? Please give some indication of the level of funding you believe is necessary to implement a national agricultural biotechnology research program that will ensure America's competitive position in what is known to be a fierce international competition for dominance in this new technology?

ANSWER:
The FY 1989 budget for USDA has $102.7 million for biotechnology on a base of $1.04 billion in research, or nearly 10%. This represents only the Federal contribution. The State Agricultural Experiment Station System also contributes a like amount. The total of more that $200 million is a significant commitment to this important area of research on behalf of agriculture. The private sector is also putting in substantial amounts of support. Each year the figure has grown, and is likely to continue to grow for the very reason you suggest, namely to ensure America's competitive position in this exciting new area.

QUESTION FROM SENATOR LEAHY NUMBER: 9

QUESTION:
What is your position on funding pesticide-resistant tree and plant research as opposed to pest-resistant tree and plant research, especially with regard to some of the more dangerous pesticides like atrazine? Would you favor issuing USDA regulations for agency funded research that would prohibit public dollars to be spent on developing technologies that promote increased chemical usage?

ANSWER:
Chemical pesticides must be used wisely, safely, and within limits consistent with the maintenance of human health, food safety, and environmental quality. Within these parameters, USDA should support research to solve pest problems.

The development of pest resistant plants has been a central part of USDA's efforts over many decades. Pest resistant plants, biological control of pests and various management strategies within the context of integrated pest management approaches have made it possible to lessen dependence on chemical pesticides, especially in certain crops like cotton. I will encourage emphasis on approaches that give ample consideration to both environmental concerns and production needs. As in all such issues, balance is required.

I do not believe that it would be wise to stifle research on any aspect of this problem. We're not going to be promoting anything; we want to solve problems.

QUESTION FROM SENATOR LEAHY NUMBER: 10

QUESTION:
What risk assessment initiatives will your Administration undertake to provide the sort of knowledge base necessary to better evaluate the consequences of introducing genetically altered plants, trees, and animals into the environment? Does it make sense to earmark at least one percent of all USDA biotechnology research funds for risk assessment research?

ANSWER:
The program that is specifically concerned with the knowledge base for evaluating the consequences and, hence, assessing the risks of introducing genetically modified organisms into the environment is the National Biological Impact Assessment Program (NBIAP). I do not believe it is ever wise to earmark a specific amount or percentage of funds for any program. Such a determination will inevitably become obsolete in a short time, thereby distorting budget priorities.

QUESTION FROM SENATOR LEAHY NUMBER: 11

QUESTION:
The strength and competitiveness of American agriculture will depend on our ability to utilize the productive capacity of our nation's agricultural lands in innovative ways. Throughout the campaign, President Bush stated that we must develop new uses and new markets for our agricultural crops.

At the National Association of Farm Broadcasters, President Bush stated that one of the three "upbeat and growth-oriented things" we can do is to "find new uses for our agricultural products." A statement issued by the campaign concerning new products read:

> Today only about about $50 million out of a $1 billion agricultural budget is directed toward finding promising alternative products and uses. A George Bush Administration will shift the focus to lowering production costs and developing new markets for crops.

Question: To what extent will your Administration pursue an alternative crops research agenda? What level of funding should be spent on alternative crops research and from which non-congressionally earmarked accounts will this money be shifted?

ANSWER:
Developing new uses and new markets for agricultural products is important to sustaining the vitality of our agricultural community. We must not miss opportunities to develop new uses for our farm and forest resources. USDA currently supports this type of research and development, and will continue to do so. The level of support will obviously be reassessed annually, but such programs are likely to carry a high priority for years to come.

QUESTION FROM SENATOR LEAHY 12

QUESTION:
Should the USDA encourage farmers to use futures and options in marketing their crops and hedging price risks? Do you see any prospect that the use of these markets by farmers can ultimately reduce the cost of government price and income support programs while protecting farm income?

ANSWER:
Farmers should learn how to use futures, options, cash forward contracts, and other means to manage price and income risk. That simply constitutes sound management.

It is theoretically possible for such programs to reduce the cost of government price and income support programs, for they have fundamentally the same purpose. But that is not likely to occur until and unless such techniques receive widespread use. At present it is only the more sophisticated producers who avail themselves of the use of these risk management mechanisms.

QUESTION FROM SENATOR PATRICK LEAHY 13

QUESTION:
If confirmed as Secretary, you would sit on the Farm Credit System Federal Assistance Board created under the 1987 Agricultural Credit Act. How would you approach your work on this board? For instance, the Farm Credit Administration recently approved the sale by the Jackson Federal Land Bank, which was in receivership, of its assets to the Texas Bank. There is, I understand, a potential shortfall between the value of these assets and the Bank's outstanding debt. Would you consider it within the intent of the 1987 Act for the Federal Assistance Board to fund this shortfall through special purpose bonds?

ANSWER:
As a member of the Assistance Board, I would hope to continue the sound decision making process that has resulted from the combination of two Cabinet Departments and a highly qualified producing farmer. The Assistance Board will have to consider options for dealing with the potential shortfall in the Jackson case, but I've obviously not yet had an opportunity to consider the issue.

QUESTION FROM SENATOR PATRICK LEAHY 14

QUESTION:
You will also serve on a Special Committee to recommend possible changes in the Farm Credit Bank structure of the FCS. What do you see as the appropriate number of Farm Credit Banks? Are there too many today? Do we need more?

ANSWER:
Congress, through the enactment of the Agricultural Credit Act of 1987, recognized that restructuring of the Farm Credit System (System) was necessary in order to enable System institutions to provide credit services to the nation's farmers and ranchers at reasonable and competitive rates. In certain instances Congress mandated consolidation. In others, it provided the means for the System to do so.

It is important that the System, through the Special Committee and other forums, formulate and present to its shareholders realistic, workable and effective proposals to reduce costs and restructure the System at both the bank and association levels. Until this study is completed, it is not possible for me to judge how many institutions are required. To the extent authorized by law, the Assistance Board will consider any request to facilitate mergers between and among eligible System institutions.

QUESTION FROM SENATOR LEAHY #15

QUESTION:
What program modifications would you suggest to provide our producers with more flexibility in their planting decisions?

ANSWER:
Under current law, there is some flexibility for producers under the 0/92 and 50/92 programs, which enable farmers to receive deficiency payments whether or not they plant the full acreage permitted under the program. Planting of some alternative nonprogram crops is allowed on the underplanted program acreage.

The recent disaster assistance legislation authorized the planting of oats on non-oats base acreage without loss of non-oats base. That Act also authorized the planting of soybeans and sunflowers on 10 to 25 percent of the farm's program crop permitted acreage. However, program benefits on the acreage reallocated under these provisions are limited to oats or oilseeds.

In concept I favor increased flexibility for farmers in their production and marketing decisions. The world changes quickly, and our farmers must be able to adapt quickly to those alterations in their economic environment. We should try to minimize the rigidities and inflexibilities of governmentally imposed mandates. But some of that is inevitable, and we cannot change major farm programs overnight. In addition, change often has budgetary implications, meaning that additional flexibility may cost money. If we provide that flexibility in one program area, it may have to be offset by reducing benefits elsewhere in the USDA budget. Those tradeoffs become difficult and controversial; hence a question such as this cannot be answered in the abstract.

We'll carefully examine all recommendations for increased flexibility in the management of our farm programs and determine whether they can be implemented without busting the budget.

QUESTION FROM SENATOR LEAHY #16

QUESTION:
What product mix do you think will be most appropriate for commercial purchases for the Temporary Emergency Food Assistance Program?

ANSWER:
The Hunger Prevention Act of 1988 requires the Department of Agriculture to supplement the surplus foods made available from Commodity Credit Corporation inventories under the Temporary Emergency Food Assistance Program (TEFAP). Products to be purchased will be determined by the Department based on a number of factors including product availability, nutritional quality of the product, convenience of use, ease of storage, and preference by recipient agencies. We'll reassess this on a continual basis.

Product:
- Peanut Butter
- Raisins
- Canned Vegetarian Beans
- Canned Pork
- Egg Mix

QUESTION FROM SENATOR LEAHY 17

QUESTION:
Should we make further cuts in USDA's ability to provide information to the farmer and the public?

ANSWER:
Not if we can avoid them. Timely, reliable agricultural statistics are critical to the decision-making process of producers and agribusiness. But, of course, they will have to compete for limited financial resources like other programs in the Department.

QUESTION FROM SENATOR LEAHY 18

QUESTION:
How would you suggest that we improve ERS's ability to work with the Congress?

ANSWER:
It will be my policy to have ERS, and all agencies of the Department, be responsive to the information needs of the Congress, within the constraints of its human and financial resources. I expect the executive/legislative branch relationship to be cooperative and mutually supportive. That has always been my personal style, and it will be the style of the Department.

Question from Senator Leahy #19

QUESTION - Near the end of last year, the Department issued a set of proposed rule changes to provide discretionary inspection of processed meat plants. This has caused a significant negative reaction from several consumer advocates, inspectors, and the meat industry at large.

What action do you expect to take regarding discretionary inspection?

ANSWER - As you know, the proposed rule changes are authorized by statutory changes made to the Federal Meat Inspection Act by virtue of Public Law 99-641, The Futures Trading Act of 1986. The proposed changes were published in the Federal Register on November 4, 1988, and the public comment period closed February 2, 1989.

As the comment period closed only last week, the Department will begin reviewing the better than 600 comments filed to determine the final rule change.

You may recall that an important factor Congress considered in amending the Department's statutes was a report issued by the National Academy of Sciences in 1985. That report urged the Department to move to a risk-based inspection system through further modernization, which is the thrust of discretionary inspection.

Question from Senator Leahy - #20

Question: USDA is attempting to get states to voluntarily take action to reduce the spread of this disease to uninfected flocks. In the event those efforts fail would you be willing to use the emergency authority provided the Secretary to seize and dispose of infected laying hens under section 134, title 21, of the United States Code?

Answer: The Department recognizes both the animal and human health concerns associated with Se. However, it continues to believe that eradication and indemnification in the present situation is an inappropriate application of USDA's statutory authority.

Section 134 was enacted more than 25 years ago. Since then USDA has declared an extraordinary emergency in only two instances, both involving poultry: once, in 1973 to eliminate Newcastle disease; and again, in 1983 for avian influenza. Both of these viral infections were highly contagious, host specific, and with a significant mortality rate in the infected flocks. In these cases, elimination of the disease was achieved through flock eradication. Se, however, is found in many species of animals, not just egg-laying poultry, so eliminating the bacterium would be virtually impossible.

Furthermore, many veterinarians believe that a variety of other diseases of poultry represent a more serious threat to flock health and productivity. If the Department were to declare an extraordinary emergency regarding Se, thereby initiating a nationwide flock eradication and indemnification program, this would create a far-reaching, expensive precedent for responding to other diseases.

The Department is committed to broad initiatives involving flock testing, consumer education, and research. In our view, these initiatives represent the appropriate response to controlling Se.

Question from Senator Leahy #21

QUESTION - A recent report of the Inspector General of USDA (No. 38609-1-At) raised a number of serious concerns regarding the Department's efforts to monitor and control pesticide and other dangerous chemical residues in meat and poultry products. That report raises significant doubts about the effectiveness of the current programs (The National Residues Program and the Verified Production Control Program) regarding eliminating dangerous levels of chemicals in meats and poultry. The Inspector General concluded that: the sampling for residue monitoring was not random, actions to investigate pesticide violations were ineffective, tolerance levels of pesticide residues were not supported by documentation and controls over self-monitoring programs, operated by the meat or poultry plants were not sufficient.

What steps do you intend to take to improve the National Residue Program to avoid the problems raised in the Inspector General's report?

ANSWER - The Department, in response to the Inspector General's (IG) audit, intends to strengthen the National Residue Program on two fronts. One is to have in operation by mid-April a residue violation information system. This system will be capable of providing data by states, species, residues detected, and the source of the problem in order for follow-up to be conducted. Second, a contamination response system has been developed that will reinforce the investigative process so that timely follow-up actions can be taken. This will also strengthen administrative controls relating to residue violations when they occur.

During this audit, IG investigators took their own samples from each of the 96 meat and poultry plants they visited and had the samples tested for 34 different pesticides. The IG's own sample results were negative. In other words, they found no violations for the samples taken. Therefore, I believe our National Residue Program is effective, but one should never shut the door on suggestions to improve it.

Question from Senator Leahy #22

QUESTION - The detection and control of pesticides and other dangerous chemicals in imported meats and poultry is also an extremely important function of the Food Safety and Inspection Service.

What steps do you intend to take to improve the quality of imported meats in terms of pesticides and other dangerous chemical residues?

ANSWER - USDA/FSIS is responsible for assuring that countries eligible and exporting to the U.S. have inspection systems that apply controls at least equal to those applied by USDA to domestically-produced meat and poultry products. These include residue control programs. FSIS administers the program with two types of activities: oversight of foreign inspection systems to assure that they maintain equivalent standards, and, reinspection of a sample of imported product on its arrival at U.S. ports of entry. Considering data from both those sets of activities, FSIS determines whether eligible exporting coutries are controlling pesticides in an acceptable manner. Whenever there is an indication of a weakening of those controls, FSIS halts the movement of product.

The Omnibus Trade and Competitiveness Act of 1988 also required a special report on the subject of residues in imported meat. The data in that report will show that in 1987 there was a problem with pesticides in product imported from Australia. In that instance, FSIS restricted product movement, required additional sampling and testing by the Australian government, and continued its own intensified sampling to assure that the product met U.S. standards.

Question from Senator Leahy - #23

Question

What administrative action would you propose to streamline the petition and hearing process so that changes in milk marketing orders can be made in a more timely fashion?

Answer

I am aware that the dairy industry has become increasingly concerned about the length of time that it takes USDA to complete rulemaking actions. Much of the added time has stemmed from the public's desire for more time to participate in Government actions in general, and this has included the development and amendment of milk orders.

As Secretary of Agriculture, I will review whether changes in procedures are needed, and whether the level of resources being devoted to the rulemaking process is adequate.

QUESTION FROM SENATOR LEAHY #24

QUESTION:
We are moving into the second half of the Uruguay Round of multilateral trade negotiations; the Administration, Secretary Lyng, you, in your position as the United States Trade Representative, and the President, have essentially not budged from your original position in those negotiations. Your goal, as I understand it, is to eliminate trade-distorting subsidies from agricultural programs.

Given the lack of progress in Montreal, the fundamental opposition of the European Community to the goals of the United States proposal, how do you plan to conduct the second half of these negotiations?

ANSWER:
The overall conduct of the upcoming negotiations will be decided by Ambassador Hills with interagency direction. The path for the second half of the Uruguay Round is strongly dependent on negotiations this coming April. The United States will maintain its objective of eventually eliminating all trade distorting subsidies because that objective is sound and in our own self interest. We believe we have made progress; most other countries already subscribe to the U.S. position. We will continue to work hard to generate more international support for our goal. This will require strong and continual pressure on the European Community, both in the GATT and in the application of the export marketing tools at our disposal.

QUESTION FROM SENATOR LEAHY 25

QUESTION:
Is there some middle ground between the United States and the EC?

ANSWER:
In any negotiation, a "middle ground" can always be found. However, the EC will have to show more willingness to address the fundamental issue of trade-distorting subsidies and in opening its own market to foreign competition if we're ever to get there. We must remember, of course, that this negotiation has almost two years yet to go, so it is not surprising that the middle ground has not yet been found.

QUESTION FROM SENATOR LEAHY 26

QUESTION:
There appears to be a difference in the Reagan negotiating position in the Uruguay Round of trade negotiations and the position advocated by President Bush issued during the campaign, the new President stated as his GATT goal the phasing out over a reasonable period those subsidies that destroy agricultural trade. Your position has been the elimination of agricultural programs that distort agricultural trade. Can you explain the difference between these two statements?

ANSWER:
There is no difference in these statements.

QUESTION FROM SENATOR LEAHY 27

QUESTION:
Does this exhibit a larger degree of flexibility in these negotiations on the part of President Bush?

ANSWER:
President Bush is committed to the U.S. proposal to eliminate trade-distorting subsidies over time. We have often said that the U.S. is flexible on the timing, but not on the objective-which we believe is fundamental.

QUESTION FROM SENATOR LEAHY 28

QUESTION:
If you had to make a recommendation to the President concerning the triggered marketing loan now, what would that recommendation be?

ANSWER:
That we sit tight. It is much too early in the negotiating process to use this policy mechanism on a more extensive basis.

QUESTION FROM SENATOR LEAHY 29

QUESTION:
Do you believe that significant progress has been made in the agricultural trade negotiations at this time?

ANSWER:
Yes. We have a long way yet to go, but we should not underestimate the progress that has already been made. That holds even for the Montreal meeting. One should not always measure progress by what is visible. Invisible and intangible developments are often more important.

This is our best chance ever at meaningful agricultural trade reform. We may or may not succeed; but we ought to give it our best shot.

QUESTION FROM SENATOR LEAHY 30

QUESTION:
Aren't some non-market economies already members of the GATT?

ANSWER:
Yes. Czechoslovakia, Hungary, Poland, and Romania are contracting parties to the GATT.

QUESTION FROM SENATOR LEAHY 31

QUESTION:
How can the concept of no trade distorting agricultural programs be applied to non-market economies?

ANSWER:
The concept of trade-distorting subsidies can be applied in both market and non-market economies, though not easily in the latter. It is obviously more difficult to identify and eliminate trade-distorting subsidies in non-market economy countries. But there have been some disciplinary successes with industrial goods, so we should be able to do the same agriculturally when necessary. At the moment, these countries are not major agricultural exporters so the issue is of limited relevance.

QUESTION FROM SENATOR LEAHY 32

QUESTION:
Do you oppose the Soviet Union, China, and other non-market economies entrance into the GATT?

ANSWER:
The U.S. opposes the entrance of the Soviet Union into the GATT. We support China's entrance if and when the terms of accession can be worked out. That process is now underway.

QUESTION FROM SENATOR LEAHY #33

QUESTION:
Do you share the new President's commitment to the Export Enhancement Program (EEP)?

ANSWER:
Yes, I agree with the President's position that we cannot diminish the effectiveness of EEP. It has shown the subsidizing nations of the world that the U.S. is serious about maintaining its market share and bringing those nations to the negotiating table to dismantle distortive subsidies.

QUESTION FROM SENATOR LEAHY 34

QUESTION:
One of the ways we were able to assist exports through the EEP was by using excess government stocks of commodities. As stocks fall, do we get to a point where certificate backed export enhancement is no longer possible?

ANSWER:
At some point in the future, declining government-owned stocks could limit our ability to issue generic certificates for the EEP. However, EEP bonuses have also declined during the past year, and we still have adequate stocks to run the program.

QUESTION FROM SENATOR LEAHY 35

QUESTION:
If we do reach that point, then what would you suggest we do with the EEP?

ANSWER:
We would then examine other export assistance options available to the Department under existing authorities. Preliminary indications are that those would be adequate to sustain the program.

QUESTION FROM SENATOR LEAHY 36

QUESTION:
Finally, what specific plans, apart from the GATT negotiations, do you have for expanding our international agricultural markets?

ANSWER:
Progress on eliminating trade-distorting subsidies is the key to expanding our exports of farm products. The Department of Agriculture has a wide range of current and potential export promotion programs. I will review these programs and policies to determine whether the Department's resources can be used more effectively. We are not likely to have an increased budget for such programs, so we have to use them skillfully.

QUESTION FROM SENATOR PAT LEAHY #37 & 38

QUESTION:
In this same vein, over the past two years, the Foreign Agricultural Service has come under increasing scrutiny for what have been reported as lax regulatory management of certain of its export programs. The Targeted Export Assistance Program, the Export Credit Guarantee Program, and other similar programs have been the prime targets for criticism. Reports have focused on the Agency's lack of criteria to conduct evaluations of the effectiveness of these type of programs, inability to doublecheck whether funds have been spent as required, and lack of rigid standards to guard against conflicts of interest by participants in these programs. As these criticisms increased, press reports surfaced that the head of this Agency had speculated in commodity markets and openly appealed for political support from organizations that were receiving export assistance funds under these programs. But, when the Senate Agriculture Committee attempted to improve the administration of the Foreign Agricultural Service in the Omnibus Trade Bill, or efforts were opposed by the Administration.

Do you agree with the general theme of these reports that management of these export assistance programs must be improved?

#38 What specific steps do you intend to take in this area?

ANSWER:
It's too early for me to define the specific steps necessary to improve management of the export expansion provisions of the Food Security Act of 1985. The Foreign Agricultural Service implemented those provisions with energy and imagination. Startup problems notwithstanding, the programs have been making a useful contribution to the U.S. agricultural export picture.

I will monitor the management of those programs to ensure that the funds are used in line with the intent of Congress.

QUESTION FROM SENATOR LEAHY 39

QUESTION:
Where do you perceive our grain quality problems to be the most severe? What do you plan to do about it?

ANSWER:
Our biggest challenge is being able to better identify our customers' preferences and needs. I understand that Department officials will be meeting with industry representatives in the near future to discuss grain quality problems and possible improvements. Further information is being obtained through surveys, technical seminars, etc. The results should reflect the needs of our increasingly sophisticated foreign customers. We must then respond to what we find.

QUESTION FROM SENATOR LEAHY 40

QUESTION:
Secondly, shouldn't our goal be to sell commodities that are superior in quality to those sold by our competitors?

ANSWER:
Our goal for any product, agricultural or industrial, should be to beat our competitors in quality, price, or a combination of the two--whatever is necessary to make the sale. Obviously if we have superior quality that gives us a leg up on our competitors. U.S. grading standards should assure buyers they will receive the quality specified.

QUESTION FROM SENATOR LEAHY #41

QUESTION:
As Secretary of Agriculture, you will administer several programs designed to improve the nutritional health of Americans. The Surgeon General of the United States has recently issued the "Surgeon General's Report on Nutrition and Health." That report makes a number of important recommendations to improve the health of Americans through better nutrition.

To carry those public health recommendations into practice how do you intend to make improvements in the feeding programs administered by USDA?

ANSWER:
The Surgeon General's Report on Nutrition and Health offers a comprehensive view of the scientific evidence supporting current Federal nutrition policy as stated in the Dietary Guidelines for Americans, issued jointly by the Department of Agriculture and the Department of Health and Human Services.

Over the years, USDA has implemented a number of changes in the food assistance programs to bring them more in line with the Dietary Guideline's recommendations. For example, the Department this past year issued revised recipe cards for school lunch managers that incorporate reductions, where practical, in the levels of sugar, fat and salt. Also, I understand that a review of all the specifications for commodities provided by USDA is underway in an effort to reduce sugar, fat and salt wherever possible. As you know, those commodities go out to many of our food assistance programs, so this is a very important development. I will review the food assistance programs to identify further improvements that could be made to promote the principles outlined in the Dietary Guidelines, particularly those that will help our State and local cooperators.

QUESTION FROM SENATOR LEAHY #42

QUESTION:
For years the Extension Service of USDA has helped inform low income families of how to cost-effectively buy and prepare nutritious well-balanced meals for their families. However, President Reagan's budget proposes cuts in nutrition education programs such as the Extension Service's expanded food and nutrition education program for low income families.

Will you support expansion of nutrition education programs so that poor families can get the most benefit out of their food stamps?

ANSWER:
Nutrition education is a commendable activity. I am eager for the Department to perform nutrition education where it can be accomplished most efficiently. I agree with you that nutrition education is especially important for food stamp recipients.

QUESTION FROM SENATOR PATRICK LEAHY #43

QUESTION:
There is a great deal of concern that the school lunch program does not adequately consider the role of nutrition in terms of health. The recent Surgeon General's Report on Nutrition and Health explains that the roots of many debilitating diseases can begin in childhood.

What do you see as the federal role in making the school lunch program healthier especially regarding reducing the incidence of coronary heart disease and strokes, high blood pressure, cancer, dental disease, malnutrition, and childhood anemia?

ANSWER:
In recent years, USDA has done a good deal to assist State and local cooperating agencies to comply with the Dietary Guidelines as they relate to the intake of sugar, fat and sodium. For example, the Department this past year issued revised recipe cards for school lunch managers in 90,000 schools that incorporate reductions, where practicable, in the levels of sugar, fat and salt. Also, I understand that a review of all of the specifications for commodities provided by USDA is underway in an effort to reduce sugar, fat and salt wherever possible.

As you know, the Dietary Guidelines call for moderating rather than setting quantitative limits since there is currently insufficient scientific evidence and consensus within medical communities to support strict quantitative limits, particularly for children. Certainly, this is an area where scientific knowledge is evolving, and there is more the Department can do to help State and local school lunch managers moderate intakes of sugar, fat and sodium in lunches served. I will look for opportunities to make further improvements in this area. One area that comes to mind is looking at specifications for processed products, not only those purchased by the Department but also specifications used by State and local cooperators in an effort to minimize sodium and fat. Many times more fat and sodium are added during processing than is necessary.

Question from Senator Leahy - #44

This Committee has a vital role in the oversight of operations of the Department of Agriculture and in the development of legislation affecting that Department and this Nation. To carry out these functions the Committee often needs information from USDA personnel. However, recently, there has been a great deal of concern over alleged harassment by USDA of a witness that testified before this Committee. Dr. Clifford Watson of the Federal Grain Inspection Service in Missouri testified on November 10, 1987, regarding grain protein measurements. He alleges that soon after this testimony that his superiors advised him that his career with USDA was effectively over because of his testimony.

To fulfill our Constitutional role as legislators, Congress needs accurate, timely and complete information from each Department which it entrusts with carrying out laws. We need to know how programs are operating and how they can be improved.

Questions

Will you agree to make available to this Committee, or its subcommittees, employees of your Department who have information relevant to our hearings and will you also agree to allow them to present truthful and complete factual information in response to our questions and to not punish them to the extent they do so? Also, will you agree to look into the matter of Dr. Watson and make sure that the Department did not punish Dr. Watson because he directed Congress' attention to concerns he had about the wheat protein programs? Also will you agree to keep us informed as to progress on that matter and whatever appropriate corrective action you take regarding Dr. Watson?

Answer

We look forward to working closely with the Congress during the upcoming year as we move toward the joint objective of development and improving programs that will benefit American agriculture. It is always important to have the best possible information upon which to base decisions, and the Department will put forth every effort to work cooperatively with the Congress to meet the challenges of our agricultural community.

I believe strongly in providing fair and equitable treatment of all employees and I will make this position clear during my tenure as Secretary. With regard to your specific question, I have attached a background paper which was provided to me on the case history of Dr. Clifford Watson.

(Background paper follows:)

BACKGROUND PAPER

Dr. Clifford Watson joined the Federal Grain Inspection Service (FGIS) in 1978. Prior to 1978, he was employed by the Agricultural Research Service. During his tenure with FGIS, there have been at least three documented occasions when he was judged by his supervisor as not carrying out his responsibility of finding problems in early stages and taking corrective action. On at least two other occasions, Dr. Watson failed to support Agency policy when his opinion was different. Dr. Watson's management style has created friction among industry, official agencies, and peers, resulting in needless and costly corrective action by the Agency. Dr. Watson was reassigned in August 1987 from Chief of the Quality Control and Testing Branch to an "Assistant to the Director" position so that his technical skills could be utilized under close supervision and he would not be in charge of a program that requires early stage problem detection and prompt corrective action. The reassignment did not result in any reduction of grade or pay to Dr. Watson.

To our knowledge, Dr. Watson has not been harassed. Dr. Watson was counseled by his supervisor after a joint oversite hearing before the Senate Committee on Agriculture, Nutrition and Forestry and the House Committee on Agriculture on November 10, 1987. He was criticized for his testimony as being inaccurate, inconsistent, and failing to carry out policy, in addition to including unnecessary erroneous allegations of a personal nature.

On January 8, 1988, Dr. Watson initiated a letter to the Director claiming that he was not performing tasks at the GM-14 level. Based on his letter, a desk audit of his position was made by the Animal and Plant Health Inspection Service which provides administrative support for FGIS. The audit recommended a downgrade of his position.

FGIS then offered Dr. Watson a GM-14 position in Washington, D.C., because there were no current GM-14 positions vacant at the Kansas City office. Such a vacancy did exist in Washington, D.C.

On May 17, 1988, Dr. Watson furnished medical documentation as to why he could not relocate, along with announcing plans to retire in January 1990. Prior to this time, he had not filed any documentation of a medical problem.

FGIS responded by making reasonable accommodations for Dr. Watson and will continue to carry him at his current grade level until January 1990.

QUESTION FROM SENATOR LEAHY 45

QUESTION: Do you share the former Secretary's commitment to equal employment opportunity?

ANSWER: Yes. I believe positive steps have been taken in recent years to ensure equal employment opportunity at USDA. I will see that those steps achieve the desired results.

QUESTION FROM SENATOR LEAHY 46

QUESTION: Do you believe that discrimination remains a serious problem at the Department of Agriculture?

ANSWER: There is no doubt that USDA has had problems in the past and that some of those problems have not been solved completely. What is important is to look at where we are today in the climate for equal opportunity and where we intend to go in the days ahead. Judged by that standard, (1) equal opportunity will be a high priority for USDA in the next four years; (2) we will have specific objectives; (3) we will take actions to realize those objectives and (4) we have the will to carry them out.

QUESTION FROM SENATOR LEAHY 47

QUESTION: What steps do you intend to take to build upon Secretary Lyng's efforts to end discrimination at USDA?

ANSWER: First, I need to be thoroughly briefed on the extant situation. However, I already know that I must exercise personal leadership and oversight of our civil rights programs, that I must insist on a similar commitment from all appointees, executives, managers and supervisors and that I must have quality staff working directly on civil rights matters.

QUESTION FROM SENATOR LEAHY 48-51

QUESTION:

When you were working with the Committee for the Re-Election of the President you sent a note to Frank Herringer in which you discussed the interest of a Mr. Wenk of South Dakota in an appointment. In the letter Mr. O'Brien states that "he believes we will get a very large contribution from him if an appointment comes through."

Was it your understanding when you composed this note that Mr. Wenk was interested in an appointment to any federally related position?

If so, did you consider it proper to consider campaign contributions in the context of making any appointment?

Why did you not indicate to Mr. Herringer that you consider any relationship between appointments and political contributions improper?

Will you disclose to the committee the political contributions to the Bush-Quayle Campaign made directly or indirectly by any appointee to the Department or related entity?

ANSWER:

I have no recollection at all of this incident. It took place 16 years ago, in the middle of a campaign when phone calls are pouring in by the hundreds. I probably just took the call, immediately typed the memo, and sent it on. I do not recall what position Mr. Wenk was interested in, nor do I recall whether Mr. O'Brien even identified the position to me.

Frank Herringer was an experienced personnel man, and a man of integrity. There was no need to comment on the relationship between a potential appointment and a campaign contribution, for he would never have made an appointment on that basis. And I would never have recommended such.

I have not asked any potential USDA appointee whether or not he or she made contributions to the Bush-Quayle Campaign, and I do not intend to do so. That has never been of any relevance in appointments I have made, and it will not be so in the future. Nor should it be of relevance to the Committee. I have never posed this question to any interviewee for any position in any Administration.

(Note to Frank Herringer follows:)

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COMMITTEE FOR THE RE-ELECTION OF THE PRESIDENT

Aug. 31

To Frank Herringer

Frank, one of the names I submitted to you several weeks ago for a possible appointment to a committee of some kind was a man named Wenk from South Dakota. Obie O'Brien, our Nixon chairman, says that he believes we will get a very large contribution from him if an appointment comes through. Can you check on this for me? Or should I just call Kingsley?

Clayton Yeutter

QUESTION FROM SENATOR LEAHY 52

QUESTION:

In correspondence with the Office of Government Ethics you have agreed to dispose of stocks in agriculturally related companies. Abbott Laboratories, in which you own stock, is a major supplier of infant formula. One third of the infant formula is bought through WIC vouchers?

Will you dispose of this stock to avoid any appearance of a conflict of interest?

ANSWER:

I did not own this stock. Some members of my family did. I doubt that I had the legal right to ask them to sell it, but it has been sold.

QUESTION FROM SENATOR LUGAR #53

QUESTION:
In 1986, the Canadian and U.S. Governments signed a Memorandum of Understanding (MOU) committing the Canadian Government to cease or offset unfair subsidies to its softwood industry. These subsidies had severely damaged the American lumber industry in its own market.

During the recent campaign in Canada, both Prime Minister Mulroney and his opponent pledged to terminate or renegotiate the MOU with the United States. Could you please tell the Committee what the Administration's position is with respect to this Memorandum of Understanding and what its position would be on a Canadian request to renegotiate or terminate that agreement?

ANSWER:
There are ongoing consultations on the implementation and enforcement of the MOU. The U.S. industry is actively monitoring this process. I see no reason to renegotiate or terminate this Memorandum of Understanding.

QUESTION FROM SENATOR DOLE #108

QUESTION:
I understand the Government of Argentina has not lived up to its commitments to eliminate the system of differential export taxes that it applies in the soybean sector. Will you use your authority and work with the USTR to resolve this problem?

QUESTION FROM SENATOR RICHARD LUGAR #54

QUESTION:
There have been a number of efforts to persuade Argentina to eliminate the system of differential export taxes that it applies to soybeans and soybean products. The U.S. soybean processing industry filed a Section 301 case several years ago and we understand that USTR has actually received verbal commitments from the Argentine Government to eliminate these subsidies. Still, the differential tax system remains. Could you please tell the Committee if USDA and USTR will seek and resolution of this problem and could you give some indication of the timing and procedures for going about this?

ANSWER:
Argentina has not made credible efforts to resolve this longstanding bilateral trade dispute. We have repeatedly registered strong concerns to Argentina about this program. If Argentina is unable to take the necessary steps to settle this dispute, we at USDA will have no choice but to recommend that the U.S. Government take appropriate countermeasures. The timing for action is a USTR decision.

QUESTION FROM SENATOR DAVID PRYOR #55

QUESTION:
We remain deeply concerned about the Government of Japan's virtual import (ban) on rice and your decision to reject the U.S. rice industry's Section 301 petition. You have indicated that you support the industry's efforts to get access to the Japanese market, but you think the better approach for now is the Uruguay Round of multilateral trade talks. Where are we in those talks and how soon can the industry expect an opportunity to compete in Japan?

ANSWER:
We continue to push for an agreement by the end of 1990, at which time opening of the Japanese market could commence if long term agriculture trade reforms are agreed upon. That is obviously our objective.

QUESTION FROM SENATOR PRYOR 56

QUESTION:
As you know, Congress has implemented a number of provisions in various agriculture and trade laws that are designed to enhance our exports and keep U.S. stocks down. I realize that as our United States Trade Representative you have been supportive of such programs, like the marketing loan. I am curious, will you continue that support as Secretary of Agriculture?

ANSWER:
I have supported, and will continue to support, such programs for the leverage they provide in the Uruguay Round. I do not, however, believe that they constitute sound long term policy, so we must be careful not to become addicted to them.

QUESTION FROM SENATOR PRYOR 57

QUESTION:

Due to the internationalization of today's agricultural market and the many implications associated with international partners and foreign affairs, I have long advocated that American Agriculture needs a desk at the Department of State. What is your reaction to that idea?

ANSWER:

I do not believe there is any practical possibility of that occurring. If an agricultural desk were created, every other industry in the country would also want to have its own desk and the situation would get totally out of hand. The better answer is for the Congress and the American agricultural community to attempt to have some influence on the top level appointments at State. If the President and the Secretary of State are fully apprised of this concern, they are likely to name one or more officials in the economics area of that Department who are knowledgeable, experienced, or both in agricultural policy.

QUESTION FROM SENATOR PRYOR #58

QUESTION:
Mr. Yeutter, during the past few years this Committee has considered and approved legislation to permit REA borrowers to prepay loans made by the Federal Financing Bank. These prepayments would occur with private capital using the existing REA guarantees.

This provision to permit prepayment of FFB loans with private capital was necessary because, under current rules, borrowers are required to pay a penalty for prepayment which is calculated on a present value formula and eliminates any benefits to the borrower.

Because of legislation passed by this Committee, REA borrowers have been able to prepay about $2.5 billion of high interest rate FFB loans using private capital. In addition to this, there are about $5 billion of high interest FFB loans outstanding to REA borrowers for which prepayment was not allowed by the previous Administration.

In my judgement, it is unfair to prevent REA borrowers from obtaining interest savings from prepaying existing loans and refinancing at a lower rate of interest. Private loans almost always permit prepayment, and in fact the right to prepay private loans is often mandated by law. It seems unfair to me that we should have a federal policy which prevents prepayment.

Prepayment of these FFB loans by REA borrowers will provide the Federal Treasury with an influx of cash and thereby help to reduce the federal debt.

I am particularly troubled by the attitude of the past Administration toward REA prepayments which I look at the case of Foreign Military Sales in which we have given foreign governments the right to prepay, at their option, any of their more than $16 billion in FFB loans, at interest rates above %10. To date, foreign governments have received substantial interest savings by refinancing more than $6 billion in FFB loans during the past several months.

Mr. Yeutter, what attitude will you take as Secretary to this important matter?

ANSWER:
I understand that the $25 billion of Federal Financing Bank (FFB) loans advanced to rural electric systems were made at interest rates reflecting the Government's cost of money and that the present policy of FFB is to require that any prepayments be at market value which results in premiums or discounts depending on market conditions. This policy of prepayments at market value results in no economic gain or loss for the borrowers or FFB. The REA did process the refinancing of over $2.5 billion of high interest FFB debt for REA borrowers without requiring the prepayment premium which was included in their loan agreements with FFB. This refinancing was very beneficial for borrowers, particularly for those experiencing financial difficulties since the Government absorbed the cost of the prepayment premiums. I recognize the strong interest in further refinancing of high interest FFB debt at par value by rural electric systems. I plan to review this issue with officials of REA and the Treasury Department, but I am not now prepared to finalize my own views in the matter.

QUESTION FROM SENATOR HARKIN #59

QUESTION:
In Iowa, as in your state of Nebraska, we have many small communities in rural areas. Those communities have gone through some very tough times in the past decade. In fact, the poverty level in rural America is just as high as it is in inner cities. I am confident that you share with the members of this Committee a desire to see these communities survive and prosper.

There are a great many special problems that are unique to rural America. Low population densities mean higher utility and transportation costs. Hospitals are smaller and have fewer beds which causes higher costs while federal reimbursements to hospitals are lower than they are to larger urban hospitals. The sick need to go farther to reach medical help.

Rural water quality and the supply of rural water is a significant concern, especially during periods of drought.

Rural businesses often cannot get the financial resources that they need for creative proposals because many small rural banks lack the expertise properly to consider the proposals.

The Department of Agriculture has a responsibility for administering rural development programs as well as farm programs. Frankly, I feel that the Department has been practicing a policy of benign neglect that has really hurt.

I have been working with Senator Leahy and other members of the Committee to develop an improved Rural Development Bill. I hope to work closely with you and your staff on that effort.

I have two specific questions concerning rural development legislation.

First: To the extent that we can afford a business assistance program, I believe that it should be very flexible, providing an option of loan guarantees, interest buydowns, umbrella bonding, debentures and other options rather than just loan guarantees like we effectively have with the Business and Industry loan program.

In that way, we fit the assistance program to the business need rather than the business plan to the government program. Do you agree with that concept?

ANSWER:
The present B&I program guarantees loans in rural areas that would not be made in many cases without government backing. I believe these guarantees are consistent with the intent of the program for encouraging economic development in rural areas. The B&I program should be utilized to the maximum extent possible to leverage funds from other sources and to assist communities in areas of high unemployment and depressed economic conditions.

This is especially important with the limited funds available in the program. The present guaranteed program provides the lender with a number of servicing tools such as rescheduling notes to reduce interest rates and extending terms to allow additional funds from private sector sources. A guaranteed lender may use any servicing tool normally used by commercial lenders to assist the borrower provided FmHA concurs in the use of that particular tool. Although I support a B&I program that will recognize a reasonable risk factor I think it would be inappropriate to overly expose the government to extraordinary risk. These risks should more appropriately be borne by the private sector and the government should continue to augment private sector financing.

If we go beyond loan guarantees, the cost of the program could increase dramatically. Though I would not preclude taking some of the actions you suggest, if appropriate at some time in the future, they may find it very hard to compete with other budget priorities within the Department.

Question: Second: I support the concept that the government issue convertible debentures in appropriate cases instead of more traditional loans. The government would be able to convert the debt into equity at a fixed point, after perhaps 5 years and then sell that equity position. When a government supported company does very well, the government would share in success and the added proceeds could go into a rural development revolving fund. What do you think of that idea?

ANSWER:
I believe that stock ownership is the role of the private sector in our capitalistic society. Equity positions held by government would take us a long way down the road to socialism. I doubt that many people in our rural communities want that kind of development. I certainly do not.

QUESTION FROM SENATOR TOM HARKIN #61

QUESTION:
As you know, one of the largest budget cuts contained in the currently proposed USDA budget is the proposal to reduce support for the National School Lunch program by over $650 million. In 1981, OMB director David Stockman testified before Congress that a complete elimination of federal cash and commodity assistance to schools for meals served to children with family income in excess of 185% of poverty would have no significant effect on the school lunch program. The proposed legislation was passed, despite bipartisan objections by members of this Committee, reducing the federal subsidy by one third and 2,000 schools and almost 3 million children dropped out of the school lunch program. As a result the Congress has rejected this proposal in each succeeding year.

Mr. Secretary, what is your view with regard to this school lunch budget cut?

ANSWER:
I have received reports that shed additional light on the effect of the 1981 changes. Those changes caused about 1,500 schools to leave the program. Of these, approximately 500 were private schools that were excluded because their average annual tuition exceeded $1,500. The other 1,000 schools were predominantly small, relatively affluent and rural. Some later reported they continued to offer free meals to their low-income students.

In the first year after the 1981 changes, free participation declined from 10.6 to 9.8 million. The first year's decline of 800,000 is attributed by FNS to the combined effects of several factors, including:

- A 1.6 percent decline in enrollment, which resulted in approximately 170,000 fewer free meal recipients.
- A change in free eligibility from 125 percent of poverty with a standard deduction to 130 percent with no deduction. This resulted in about 460,000 fewer free meal recipients.
- An improved application process requiring more detailed information on income sources.

After the initial 7 percent drop in participation between Fiscal Years 1981 and 1982, free meal participation increased by 5 percent to 10.3 million in Fiscal Years 1983 and 1984. Over the past several years participation has stabilized at approximately 10 million.

QUESTION FROM SENATOR TOM HARKIN #62

QUESTION:
Do you see section 4 subsidies as a transfer payment to individual children, i.e. a "high - income subsidy", or do you recognize it as a grant-in-aid to schools to support the basic structure of a school lunch program that allows a local community to serve all children including poor children and middle class children?

ANSWER:
The subsidies are received by schools and passed through to students from all income groups. So, neither characterization of the subsidy tells the whole story. The proposal to eliminate section 4 funding will not, in the judgement of FNS, undermine the infrastructure of the National School Lunch Program because free and reduced price subsidies, State and local contributions and student revenues will continue to pay for basic operating expenses, such as kitchen staff and overhead. Even schools most affected by the proposal--those with 80 percent or more paid participation--would retain 81 percent of their current revenues, between free and reduced price cash and commodity subsidies and student payments.

QUESTION FROM SENATOR TOM HARKIN #63

QUESTION:
If the budget cuts proposed were passed, the Library of Congress has estimated that 44,000 schools with more than 21 million students are at risk of dropping out of the school lunch program if Section 4 subsidies and commodities were eliminated. The American School Food Service Association estimates that 10 to 15 thousand schools and 5 to 8 million students would be forced from the program if Section 4 were eliminated.

Do you have numbers that suggest that the school lunch program would not shrink under this proposal?

ANSWER:
Any place that we reduce the Federal budget deficit by $950 million a year will inevitably have some effect. Certainly, the number of students participating from middle- and upper-income families could decline. However, middle- and upper-income students would still be able to purchase a school lunch, and most are expected to continue to participate because the cost of alternate lunches would be higher. The proposal would raise the annual cost of a school lunch to middle- and upper-income families by less than $50.00. The families affected can afford this; the median income for a family of four in the paid category was $39,000 in 1985 and has risen since then.

No one knows what the school dropout will be. Obviously, proponents of the subsidies will argue vigorously for subsidies retention, and argue just as vigorously that many schools may drop out. Based upon views expressed to me within USDA, I am not persuaded by that view, but I'll have an opportunity to weigh both sides in the coming months.

QUESTION FROM SENATOR TOM HARKIN #64

QUESTION:
In 1946, the Congress passed the National School Lunch Act . I read from the "Congressional declaration of policy", "It is declared to be the policy of the Congress as a measure of national security, to safeguard the health and well-being of the Nation's children and to encourage the domestic consumption of nutritious agricultural commodities and other food, by assisting the states through grants-in-aid and other means, in providing an adequate supply of foods and other facilities for the establishment, maintenance, operation, and expansion of nonprofit school lunch programs."

Would you propose that the 1946 Congressional declaration of policy be rewritten or amended or do you see these cuts as being consistent with the law establishing the school lunch program?

ANSWER:
The funding structure of the National School Lunch Program today it is dramatically different from 1946. Further modifying that funding structure by elimination of subsidies for meals served to middle- and upper-income students does not warrant amendment of the declaration of policy. The program would continue to encourage the domestic consumption of nutritious agricultural commodities. States would continue to be assisted in providing nonprofit school lunch programs through grants-in-aid and other means. The Federal role is to assist the states. It seems appropriate that we continue to tailor that assistance according to need. Moreover, the budget proposal would provide a much stronger level of Federal support than was the case under the 1946 Act.

QUESTION FROM SENATOR TOM HARKIN #65

QUESTION:
President Bush campaigned as the "Education President" and I personally believe he really means it. It's a recognized fact however, that hungry children do not learn. This morning (February 2) at a press conference the National Education Association and the Food Research Action Center are releasing the results of yet another study reaffirming the relationship between good nutrition and a child's learning abilities.

Do you see these proposed cuts as being consistent with President Bush's education objectives?

ANSWER:
I agree hunger is an impediment to learning for any child. That is why we must be concerned about lunches for low-income children. President Bush needs everyone to work together as a team to achieve educational objectives. And the Federal Government must put its effort where it makes the most difference. The budget proposal provides full subsidies for free and reduced price school lunches for low-income students. All schools, especially the most affluent ones, share in the responsibility to provide lunches for low-income students. But good nutrition does not demand that we subsidize food consumption at school for all the children of this country. With a huge budget deficit, we simply cannot afford that luxury. We are saddling those kids with too big a debt already.

QUESTION FROM SENATOR HARKIN NUMBER:66

QUESTION:
Ambassador Yeutter: Huge crop surpluses have been the norm for decades. Because of those surpluses, farm income has been lower and government costs for farm programs have been higher. There is a great deal of disagreement on this committee about many of the farm programs which are supposed to reduce that problem. However, one area where I believe the Committee has been in agreement is the need to develop a significant research program to find new alternative non-food, non-feed uses for our agricultural production.

For example, about 2.8 billion pounds of acetic acid are used in America each year. Generally this acetic acid is chemically synthesized. However, if it were made from corn starch, 14 million acres of corn could be used! With aerobic fermentation, using corn for making acetic acid could be an economically feasible possibility with proper research. Among other things, the acetic acid can be used to produce a non-corrosive road de-icer. And, that is just one example.

Signficant developments are also occuring in the use of corn starch to make biodegradable plastics. In Iowa, severl stores have announced they will begin using the biodegradable bags to help reduce the problem of landfill space limits.

)1 The Department spends almost $1 billion per year on research. I believe that far too small a portion of that budget is devoted to finding alternative uses for our agricultural production. This research can increase demand for commodities and create jobs in processing them locally.

Would you work to significantly raise the portion of the Department's research budget devoted to this type of activity?

ANSWER:
President Bush has expressed strong interest in the development of new uses for agricultural products, and I share his enthusiasm. As Secretary of Agriculture, I will vigorously pursue all avenues to assist in the research and development of new products, and new markets. This may require a shift in the focus of our research budget, and I will work with my staff to determine to what extent such budgetary shifts might be desirable and feasible.

QUESTION FROM SENATOR HARKIN NUMBER:67

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Under your direction, what will be USDA's role in finding new products, markets and value-added processing for agricultural commodities?

ANSWER:
Developing new uses and new markets for agricultural products may very well be the key to ensuring the vitality of our agricultural community over the long term. We must not miss opportunities to develop new uses for our farm and forest commodities. USDA currently supports research and development of this type and we will continue to do so. I would be very surprised if we did not choose to expand our involvement in this area.

QUESTION FROM SENATOR HARKIN NUMBER:68

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2) This Committee and the Senate passed the Alternative Agricultural Research Act which I authored in the last Congress. That measure authorizes up to $75 million for research on finding new alternative non-food, non-feed products. Would you support a measure of that type?

ANSWER:
USDA is currently spending about $50 million annually on this type of research. I am deeply interested in the development of new industrial products from agriculture, and will carefully examine the research budget to determine what is desirable and necessary to accomplish the task of finding new industrial uses for farm and forest products. Some exciting developments seem to be emerging in that area.

QUESTION FROM SENATOR HARKIN 69

QUESTION:
From your experience, do you believe that changes are needed in the rules governing trading practices at the commodity exchanges and what changes should occur?

ANSWER:
The rules governing the commodity exchanges must assure market integrity. At the present stage of the current investigations, it is premature to suggest what changes, if any, are needed in the rules governing commodity trading.

QUESTION FROM SENATOR HARKIN 70

QUESTION:
What role should the CFTC take in perhaps establishing tighter guidelines on trading practices?

ANSWER:
If the current investigations show that new rules are necessary, the CFTC has the responsibility and should take the leadership, working with the exchanges, in developing and applying appropriate new regulations.

QUESTION FROM SENATOR HARKIN 71

QUESTION:
What role do you see for yourself as Secretary of Agriculture and for the Department of Agriculture in helping to address the problems indicated by the recent investigation of the Chicago commodity exchanges?

ANSWER:
Honest and efficient commodity futures and options are vital to U.S. agriculture. The Department will cooperate fully with the CFTC to help determine any changes needed in the way the markets are regulated.

QUESTION FROM SENATOR HARKIN #72

QUESTION:
As you assume the position of Secretary of Agriculture, do you feel comfortable with the current levels of wheat and feedgrain stocks heading into the new year?

ANSWER:
We recognize that carryover stocks of wheat and feedgrains are at some of the lowest levels in several years. The situation will be monitored with great care. I will receive regular weather briefings as we head into the planting season. We will be prepared to take any program steps which appear appropriate to ensure that adequate stocks are available to meet all needs.

QUESTION FROM SENATOR HARKIN #73

QUESTION:
What is your philosophy on the maintenance of grain reserves (particularly the Farmer Owned Reserve where farmers are compensated for holding grain in reserve) and the appropriate levels that should be maintained in those reserves to enable the U.S. to meet its domestic and export obligations?

ANSWER:
I clearly support the maintenance of adequate grain reserves, and generally believe that those reserves are best maintained in the hands of farmers. The wisdom of maintaining an adequate, minimum grain reserve is best illustrated by the reserve stocks which have enabled us to meet our domestic and export obligations over the past year in the face of a devastating drought and shortfall in production expectations. We must be cautious, however, in maintaining reserves so that they do not encourage excess production and interfere with the free flow of the marketplace.

QUESTION FROM SENATOR HARKIN #74

QUESTION:
Would you recommend changes from current policy in USDA's handling of government held stocks, Farmer Owned Reserve stocks and grain under CCC loan to ensure adequate stocks from year to year to meet our domestic and export commitments?

ANSWER:
We'll change the policy if necessary and appropriate, but that will be an ongoing decisionmaking process.

QUESTION FROM SENATOR HARKIN 75

QUESTION:
Of the current U.S. programs that provide benefits and assistance to our agricultural industry, which programs would be considered "trade distorting" according to the definition of that term as it was used in the context of the GATT negotiations?

ANSWER:
This is a question that should be answered in executive session with the Committee, not in public. To do the latter would be to provide negotiating ammunition for our trading partners to use against us. Obviously programs such as export subsidies (our EEP and the European Community's export restitutions) distort trade enormously, as do import restrictions of all kinds. The bottom line is that we should try to get all countries to support farmers in ways that do not distort trade. The marketplace would then determine production and trading patterns, and the winners would be those who are the most efficient. I believe American farmers will do very well indeed in that kind of environment--even better than they do today.

QUESTION FROM SENATOR HARKIN 76

QUESTION:
What body would determine whether a given program for the benefit of agriculture constitutes a subsidy that distorts agricultural trade?

ANSWER:
The determination of what constitutes a trade-distorting agricultural subsidy would be determined through negotiation. The GATT itself would have overview responsibilities with respect to whatever definitions were applied, as it already does for industrial trade. An objective throughout the negotiations has been to permit individual countries maximum flexibility in designing and managing their own programs to meet an agreed-upon schedule of phasedown in trade distortions. Under our proposal countries would submit annual plans to meet these obligations. All participating countries would have an opportunity to review each others plans, and thereby assess whether the GATT obligations are being met.

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QUESTION FROM SENATOR HARKIN 77

QUESTION:
In your view, what effect would eliminating trade distorting subsidies have on U.S. farm income, the economic structure of U.S. agriculture, the number of U.S farms (both total number of farms and full-time commercial farms), the size of U.S. farms, and the ownership of agricultural assets?

ANSWER:
Distortive trade practices are costly. They clog the arteries of trade, impose costs on taxpayers and consumers and cause nations to use resources inefficiently. All of these results reduce national incomes and standards of living below what they would otherwise be. It is not surprising that virtually all studies of the implications of global trade liberalization and policy reform, whether done by institutions in the U.S. or abroad, agree that removal of distortions will reduce overproduction in exporting nations, raise world commodity price levels, reduce taxpayer costs, increase GNP and employment and result in overall net economic gains to the world economy. How individual commodities would fare will depend on the true competitiveness of U.S. producers relative to those in other countries, how U.S. farmers respond to the competitive challenge, and the specifics of any agreement reached in the GATT negotiations. If American farmers are as adaptive and responsive as I believe they are, they'll do well in such a world.

In a non-distortive policy environment, farmers would use land and other resources in the most efficient way to reduce costs of production. There is no reason to expect any major impact of policy reform on the structure of American agriculture. The production practices motivated by a more competitive environment probably give an edge to the family-size owner-operator over larger and corporate farms that have to rely on expensive hired labor and management.

QUESTION FROM SENATOR HARKIN 78

QUESTION:
Have studies been done to support your conclusions? If so please describe the studies.

ANSWER:
Many studies have been done and many other studies are underway. Most of the completed studies have focused on global trade impacts and on net economic gains to trading nations. These include studies by Australian academics, the World Bank, U.S. academics and the Economic Research Service. While the studies all differ in details because of starting assumptions, commodity coverage, data sources and other reasons, they all support the general conclusions I have reported. In addition to its own studies, the Department encourages and supports an informal constortium of leading trade researchers from around the world involved in on-going research on the consequences of trade and policy reform in agriculture.

Members of the Committee are free to make their own hypotheses, of course. But I doubt that many Members will conclude that U.S. farmers are uncompetitive internationally. I certainly do not feel that way. If I'm right, i.e., if our farmers are competitive, they'll gain from a more free and open trading environment.

QUESTION FROM SENATOR HARKIN 79

QUESTION:
What role do you expect to play in further negotiations under the GATT?

ANSWER:
Ambassador Carla Hills now has the lead responsibility for the overall GATT negotiations. I have promised to be as helpful to her as possible without interfering. Obviously I will continue to give high priority to achieving our goals in agricultural trade reform. That's one of the most important things I can do for the long-term benefit of American agriculture. Former Secretary Lyng and I worked exceptionally well as a team in the previous Administration. I expect to have a similar working relationship with Ambassador Hills.

QUESTION FROM SENATOR HARKIN 80

QUESTION:
What do you think the future holds in the way of the economic structure of agriculture and the role of the full-time commercial family farm? How many of these farms will there be, and how will they be organized?

ANSWER:
The economic structure of agriculture is likely to continue evolving much as it has in the past. The trend since the 1930's has been toward fewer and larger farms, but the pace of that trend has slowed in recent years. Commercial family farms currently dominate the sector. If anything, the number and role of nonfamily corporate farms has declined since the 1970's. Economic and organizational advantages will keep the family farm as the dominant structural unit, even though the numbers will decline moderately as total farm numbers continue to trend down slowly. Improved educational levels of farm people and greater nonfarm business and job opportunities will also foster a greater variety of combinations of farm and off-farm economic activities.

QUESTION FROM SENATOR HARKIN 81

QUESTION:
What role should the Federal Government play in establishing policies to foster a particular economic structure in agriculture?

ANSWER:
Federal policies should provide assistance and support to the farm sector in a structurally neutral manner. In other words, agricultural policies should be evaluated based upon their benefits and costs to the nation, but their implementation should not be slanted to favor one economic structure over another. Attempting to freeze a particular structure in place would inevitably reduce the efficiency of the sector over time. The European Community experience in agriculture is a classic example of this.

All indications are that a family farm structure will continue to dominate American agriculture, and I see no reason to tilt farm policies away from that.

QUESTION FROM SENATOR HARKIN 82

QUESTION:
Should USDA follow policies to help young and beginning farmers and small and medium sized farms start and stay in the business of agricultural production?

ANSWER:
Our policies should assure there are no artificial barriers to entry in farming. We should be careful, however, to assure that any programs which assist young or beginning farmers do not work at cross purposes with other programs designed to assure a competitive, profitable agriculture where production is consistent with market signals. At times when our policies have seriously distorted market signals, our family farms ultimately paid a higher price in painful adjustments to market realities. The policy most consistent with a farm sector dominated by family size commercial farms and with freedom of entry and exit is a policy that assures a world of fewer trade restrictions and one that assists farmers with the information and science power they need to successfully compete in that world. Helping these folks to start farming is one thing; helping them to stay, no matter what kind of managers they are, is another. The latter can be enormously costly to American taxpayers. Successful farmers are not enthusiastic about paying more taxes in order to assist unsuccessful farmers to hang on.

QUESTION FROM SENATOR DASCHLE 83

QUESTION:
In your opinion, how are the current disaster relief programs working? In the event of another summer like last year's, what should be the government's role?

ANSWER:
The Disaster Assistance Act of 1988 is the largest agricultural disaster bill in history, providing assistance to a wide variety of producers. Assistance to crop producers is now being made available, with livestock producers receiving assistance under prior authority even before enactment of the 1988 Act. With every disaster bill the number of Federal programs has increased. We ought to avoid resorting to emergency legislation at the occurrence of each disaster. A special commission was established to examine the crop insurance program and to make recommendations to improve producer participation in it. Crop insurance should continue to be the primary source of Federal disaster relief. I believe the program can be improved to achieve that goal so that we will not need to address these problems over and over again each time a disaster occurs.

QUESTION FROM SENATOR DASCHLE 84

QUESTION:
Mr. Ambassador, Secretary Lyng was generally quite aggressive in utilizing the Export Enhancement Program to regain market share for our agricultural products. Since EEP is designed to respond to market needs on a daily basis, I believe that it is important that the Secretary of Agriclture should retain the lead role in EEP policies. Even though other agencies may be involved at some level, I believe USDA should have the ultimate responsibility. Do you agree, and do you feel you will have the support you need to keep our export programs running?

ANSWER:
The Department of Agriculture has, and will continue to have, lead responsibility for the EEP. I believe we'll have the support we need from other agencies.

QUESTION FROM SENATOR DASCHLE 85

QUESTION:

If the U.S. proposal to eliminate subsidies were accepted, what would this mean for U.S. agriculture in the short and long term? On a regional basis, and on a commodity by commodity basis?

ANSWER:

The cost of government intervention in world agricultural markets totals about $200 billion, including direct payments to farmers and protectionist measures that artificially hold up prices--an amount almost equal to total world agricultural trade. Free and open trade in agricultural products would correct this distortion of resources and benefit consumers of all nations. This, in turn, would spur economic growth and further expand markets for farm products. Producers with comparative advantage would prosper. I believe the United States has a comparative advantage in many agricultural products. Therefore, our exports would grow and farm prices would rise globally. An increase in agricultural trade would enhance the overall economy of the U.S. and the world.

It is impossible to predict the short run impact until we know the outcome of the negotiations. There will undoubtedly be a phase-out period of at least 10 years for such trade distortions in all participating countries, and we will obviously need to evaluate these phase-out plans to make sure they are balanced. That will all become more clear as the negotiations advance over the next two years.

QUESTION FROM SENATOR DASCHLE 86

QUESTION:
Mr. Yeutter, in a recent article, Mr. Evans is mentioned as supporting a continuation of the current Farm Bill saying "the new legislation will clearly be recognized as the son or daughter of the 1985 farm bill." In light of his comments, what do you view as the strengths as well as the weaknesses of the 1985 Food and Security Act?

ANSWER:
The major strength of the 1985 Farm Bill is its market-oriented thrust that has allowed the United States to regain its competitiveness in world markets. The legislation has also provided needed assistance to producers who were facing difficult economic conditions. The conservation title of the legislation was a major accomplishment and was needed to protect fragile lands and water resources. A major criticism of the legislation is its cost. Initially, it was very expensive, but some costs have now come down dramatically. Another criticism by farmers is that it caused distortions in the markets of certain crops like soybeans and oats.

On balance, the 1985 Act has received a positive reaction from producers and those involved with it in the government. We should be able to build on it for the future. But I hope we'll also be able to make significant changes based on export opportunities that emerge from the Uruguay Round of trade negotiations. If we succeed in opening other nations' markets and in disciplining their subsidy programs, we'll have to make similar commitments here, and it will be in our interest to do so.

QUESTION FROM SENATOR DASCHLE 87

QUESTION:
Given that Mr. Evans, the President's chief agricultural advisor does not favor decoupling, which policy direction would you advocate?

ANSWER:
The President's chief agricultural advisor is The Secretary of Agriculture. However, Mr. Evans and I are both committed to a farm policy that is flexible--one that will allow our producers to quickly respond to market signals. Decoupling is one such means. Greater flexibility in planting decisions, whether done through decoupling or in other ways, will likely be the subject of further discussion within the Administration as well as with the Congress. It makes no sense to lock farmers into producing crops that are already in surplus in order to receive price or income supports. Decoupling schemes help to avoid that costly, paradoxical outcome and that is one of their strong points.

QUESTION FROM SENATOR DASCHLE #88

QUESTION:
The current budget contains many program cutbacks and terminations that Congress in previous years has refused to implement. Again there is a shift from direct lending to loan guarantees for FmHA, privatization of REA, FmHA asset sales and REA prepayments for loans, elimination of direct research grants and ongoing ASCS conservation programs like ACP. There are cuts of $1.1 billion in farm spending without a plan to implement it. Target prices are suggested to be cut by 5% over the already scheduled 5% cut. In the recently submitted budget, proposals are made to cut some very important programs. Measures include the proposal to privatize the REA loan program, nearly eliminate the Agricultural Conservation Program's cost-sharing, an acceleration in the shift from direct lending and the elimination of matching funds to certified state mediation programs. What will your recommendation be to the Bush Administration?

ANSWER:
Everyone knows that the budget will be a major challenge this year. Funds will be extremely tight and all agencies and all Congressional committees will have to balance priorities and make hard choices. Agriculture will unquestionably have to contribute its fair share in meeting Federal budget objectives. Fortunately, farm program costs are now declining because of the impact of the drought on price levels.

Since I am not yet serving as Secretary, I have not been involved in formulating recommendations on the FY 1990 budget. President Bush plans to inform the Congress of his budget priorities on February 9. So those decisions are already made. I will have an opportunity to influence the development of subsequent budgets, and will work closely with the Congress in doing so.

QUESTION FROM SENATOR :

Thomas Daschle 89

QUESTION:
In view of the persistant dry weather and the need to have adequate protection for farmers, those of us who experienced the drought of 1988 are very concerned about the potential for another drought. In view of this possibility, it is extremely important that the Federal Crop Insurance Program be improved sufficiently to provide adequate protection against drought and other natural disaster. In my state of South Dakota, the participation rate has increased markedly in recent years to about 34% of the eligible acres were covered in 1988. However, this is not good enough. Can you tell us about any plans you may have to improve the management and participation rates of the Federal Crop Insurance Program?

ANSWER:
Weather conditions are a major concern, and they seem to be having a direct impact on crop insurance participation. Based upon projections received from private insurance companies and master marketers who service the program, FCIC expects premium income to almost double, from $435 million in 1988 to almost $800 million in 1989. Insured acreage may reach nearly 100 million acres, up from 54 million acres in 1988. This would push the participation rate up to almost 44% of potential insurable acres.

Problems remain in making the product a more useful risk management tool, and in improving service to producers. FCIC is working aggressively with its partners in the delivery system on actuarial, marketing, and management improvements to meet these needs. We welcome the work of the new Commission for the Improvement of the Federal Crop Insurance Program and I look forward to their recommendations. This program has a myriad of shortcomings, and I hope the efforts of the Commission will be helpful in addressing those shortcomings.

QUESTION FROM SENATOR DASCHLE 90

QUESTION:
In a recent USDA report, it was estimated that stocks of corn were at 150 million bushels. I would like to know how much of the corn will be made available for the many provisions of the Disaster Relief Act of 1988, such as aid to ethanol producers and livestock producers, and how much will be available for EEP?

ANSWER:
Corn stocks as of December 1, 1988 were 7.1 billion bushels, of which 2.4 billion were either under loan, in the Farmer-Owned Reserve, or CCC-owned. Under the Disaster Relief Act of 1988, USDA will help eligible livestock farmers buy feed, or allow them to purchase CCC-owned grain at 75 percent of the county loan rate. Over 250 million bushels of CCC-owned feed grains, including 133 million bushels of corn, have been designated for this purpose.

There have been no EEP initiatives on corn. Exporters of other commodities can redeem their EEP bonuses for CCC commodities, including corn. Currently, there are no plans to provide CCC corn for the ethanol program. However, there is nothing to prevent an ethanol plant from using certificates to exchange for CCC corn.

QUESTION FROM SENATOR DASCHLE QUESTION:91

QUESTION:
Today only about $50 million out of a $1 billion agricultural research budget is directed toward finding promising alternative products and uses. Farm products can be used as raw materials for industry, for example biodegradable corn plastic and soybean oil, to make printers ink.

What will be the Department's role in finding new products, markets and value added processing for agricultural commodities under your direction?

ANSWER:
A significant shift in world trade of agriculture, aquaculture, and forest products has occurred in recent years. A loss in foreign markets for U.S. grown products created significant excess capacity in the industry. Given this situation, many States have been actively looking for ways to diversify their agricultural enterprise and find new markets for their farmers. A great deal of interest has been expressed in an expansion of the use of agricultural materials in industrial products. The Agricultural Research Service, the Cooperative State Research Service, and the Forest Service have active research and development projects in each of these program areas and initial results are encouraging. President Bush has expressed strong interest in the development of new uses for agricultural products, and I share his enthusiasm. As Secretary of Agriculture, I will vigorously pursue avenues to assist in the research and development of new products and new markets.

Question from: Senator Daschle #92

QUESTION:

Rural development under the Reagan Administration has suffered greatly. Since 1980, the past Administration has proposed cuts in funding for rural programs by 58%. Last year's budget which professed to advance rural development, actually cut $2.6 billion from Small Community and Rural Development Programs. Consistently, the department has failed to submit the required annual report on strategies for rural development.

I am hopeful that you Mr. Yeutter will invest resources in this very important area. How will you approach rural development as the Secretary of Agriculture?

ANSWER:

First, I am pleased to report that the Department did indeed submit the required rural development report for 1987 and 1988. The Department's 1989 report *Signs of Progress: A Report on Rural America's Revitalization Efforts* was published on January 31, 1989.

Among other things the report recommends the establishment of a Department-wide Revitalization Task Force to be charged with developing a comprehensive strategy for addressing the problems and issues of rural development. As Secretary of Agriculture I will carefully evaluate this recommendation and others made by the Task Force's as we formulate and implement our rural development policies and initiatives.

QUESTION FROM SENATOR DASCHLE #93

QUESTION:
The Farmers Home Administration (FmHA) currently carries a considerable portfolio of loans to rural hospitals. The loans are provided by FmHA through the Community Facilities Loans program.

FmHA has made 35 loans ($19,912,127 in value) to rural hospitals in South Dakota. Eight of those loans have been paid off. Eleven of the loans have been sold by FmHA to private finance corporations through a congressionally mandated loan asset sale program (the program was an administration initiative). Considering the tenuous state of rural hospital's finances, a number of potential problems exist. Under current law, hospitals can be foreclosed on.

Mr. Yeutter, how would you react to the prospect of FmHA being faced with foreclosure decisions for rural hospitals?

ANSWER:
FmHA loans for community facilities are made only after extensive work with applicant officials and their representatives to establish that a feasible loan can be made and will result in a facility that meets the needs of rural communities without imposing excessive rates for the intended service. This is certainly the case with loans for rural hospitals. After the loans are made, FmHA personnel work closely with borrower officials on a continuous basis for the life of the loan in a cooperative effort to assure success of the facility. The history of the program has an extremely low number of unsuccessful community facilities loans. Since the program was authorized in 1972, there have been no foreclosures on hospitals. FmHA makes extensive efforts to work with borrowers with financial difficulties and considers liquidations only as a last resort. However, as a government agency, FmHA must recognize its responsibility to protect the government's interest. Therefore, I cannot say there would never be a situation where foreclosure action would not be appropriate for a rural hospital. But this would be a very rare occurrence under FmHA's community facilities loan program.

QUESTION FROM SENATOR DASCHLE #94

QUESTION:
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Mr. Yeutter, would you seek changes in law or regulation to prohibit the sale of rural hospital loans to private finance corporations?

ANSWER:
The sale of rural hospital loans to private financing should in no way have a negative impact on hospital operations. In such sales all rights of the Farmers Home Administration are transferred to the buyer, except the graduation (refinancing) requirements. When the loan is sold, the buyer cannot enforce graduation as would be the case with FmHA. Rights of the borrower remain after the sale. The sale did not change any loan provisions.

QUESTION FROM SENATOR DASCHLE #95

QUESTION:
It has come to my attention that there are problems with Fish and Wildlife imposing deed restrictions on FmHA inventory land.

Farmers are being informed that large portions of their farms or areas that dissect their operation are being claimed by Fish and Wildlife. In one case, we have heard of a house and a barn being separated by this deed restriction.

Will you as Secretary of Agriculture look into the cross-compliance of this important provision and look to minimize the negative impact for farmers who are trying to stay in farming?

ANSWER:
I understand that the Department has been looking into this issue.

Over the years, a number of laws have been enacted requiring the protection of certain areas of environmental significance: Endangered species habitats, wilderness areas, wild or scenic rivers, certain historic or archaeological sites, coastal barriers, certain natural landmarks, and designated aquifer recharge areas. In addition, two executive orders issued in 1977 require protection of wetlands and floodplain.

When farmland which is also wetland or floodplain is acquired in Federal inventory, for borrowers who exercise their rights of leaseback/buyback and homestead protection under the Agricultural Credit Act of 1987, we have determined that deed restrictions for wetland and floodplain protection need not be imposed on such property. I understand that there are other environmental constraints that must be imposed because of statutory requirements.

Question from Senator Baucus 96

QUESTION:
How will the Forest Service better prepare National Forest Plans and associated environmental disclosure up front in order to help streamline the processing of appeals related to Forest Plans and projects (such as timber sales, roads, etc.)?

ANSWER:
The Forest Service has just completed a revision of the Appeal Regulations, the intent of which is to streamline the appeals process.

However, controversies reflected by appeals are inherent in the forest planning process. There are many genuine disagreements regarding forest management issues. Forest planning is a complex process which tackles these issues through the use of sophisticated analytical techniques and intense public involvement. Though a quality planning process will reduce appeals, it will not eliminate them.

QUESTION FROM SENATOR BAUCUS 97

QUESTION:
What additional resources and/or incentives can Congress provide to assure better forest planning up front and help expedite Forest Plan and project appeals processing?

ANSWER:
The Forest Service does not believe that additional resources or incentives are called for at this time. The agency is engaged in a pioneering effort in public involvement in the decisionmaking process. Time is needed to test the new revised appeal regulations.

QUESTION FROM SENATOR BAUCUS 98

QUESTION:
How can we create a permanent indefinite fire suppression appropriation that does not reduce the percentage of gross timber and mineral receipts returned to States and local governments?

ANSWER:
We are aware of the pending proposal to finance fire suppression activities with timber and mineral receipts in a manner providing that these costs be met prior to the disbursement of funds to the States. The Department can, of course, provide drafting services to Congress on this issue without endorsing the proposal.

QUESTION:
Ambassador Yeutter, I'd like to take a minute to lay out what I believe should be the primary objective of our farm program -- to manage our inventories in such a way that we keep commodity prices within a reasonable range. We have several good examples of sensible supply management currently in effect. I recently heard from a Nebraska corn farmer about one such provision. It was included in last year's drought assistance bill to address the problem of dwindling reserves of soybeans. The provision allows farmers to plant beans on between 10 percent and 25 percent of their permitted acreage. While they forfeit their deficiency payment on these acres, they get credit for the acreage and their base is not affected. Do you support sensible supply management provisions such as this in crafting what you believe is the best farm program?

ANSWER:
Program rigidities often result from attempts to reduce budget exposure. We support program provisions that provide farmers with the flexibility to adjust to changing domestic and international conditions within budget limits. Programs must allow farmers to make planting decisions based on market conditions instead of government-set income support levels.

The United States tried comprehensive supply management programs in the '50's and '60's, but they did not work well. Ultimately, they lost the support of everyone--farmers, consumers, and taxpayers. Supply management programs simply hand market share to our competitors on a silver platter, thereby shrinking our production base. That not only makes U.S. agricultural production less efficient, but it devastates our rural communities.

QUESTION FROM SENATORY KERREY QUESTION:100

QUESTION:
Ambassador Yeutter, in recent years there have been initiatives taken in many agricultural states to redirect some of our tremendous agricultural productivity into the development of new crops as alternatives to those traditionally grown by American farmers. These efforts have focused on "industrial use" crops that would not compete with existing crops.

The Department of Agriculture is administering research funding at several land grant institutions in support of these new crop projects. In Nebraska, for example, a great deal of progress has been made on the development of milkweed floss, which has great potential as an insulator and an absorbent product.

In order for successful development of these industrial use crops, interested new growers need to be able to experiment with new crops without jeopardizing their participation in the farm program. Congress passed a law in March of 1986 that grants the Department the authority to allow production of experimental crops on set-aside acres.

So far, USDA has refused to implement this authority. In agreeing to allow farmers to plant experimental crops on set-aside acres, the Department would help make it financially possible for more producers to get involved in these local efforts to develop alternatives to subsidized crops.

What are your views on the development of industrial use crops in general and on the Department's implementation of the authority to allow production of these crops on set-aside acres?

ANSWER:
I support the development of new "industrial use crops" as alternatives to those traditionally grown by American farmers. As you state, authority has been provided to the Secretary to authorize the production of such crops on acreage idled under our acreage reduction programs. I will consider all requests received and if justifications presented can be accommodated within the statutory authority, authorization to plant such crops on set-aside acres will be given.

QUESTIONS FROM SENATOR KERREY QUESTIONS:101,102

QUESTION:
Ambassador Yeutter, I'd like to read to you a statement by your predecessor at the Department, Secretary Lyng, which offers what I believe is an excellent definition of sustainable agriculture:

> "Many of the Nation's farmers have experienced financial stress in the 80's due to the downturn in exports of farm products, commodity prices, and land values. The traditional solution of increased production will only further depress commodity prices. Also, farmers are under increased pressure to reduce non-point pollution from fertilizers and pesticides and reduce erosion. Alternative farming systems that decrease or optimize the use of purchased inputs and that can increase net cash returns to the farmer through decreased costs of production may effectively improve the competitive position of the farmer and decrease the potential for adverse environmental impacts."

I would like to ask you two questions about this definition:

a. Do you agree with Secretary Lyng's definition?

ANSWER (a):
Yes.

QUESTION (b):
The USDA budget proposed by the Reagan Administration launches a major water quality initiative involving $41 million in new or reprogrammed spending. The funds are allocated to nine separate USDA agencies for research, data collection, economic analysis, and technical assistance. At the same time, however, the budget eliminates all funding--$4.5 million--for sustainable agriculture and slashes funding for conservation cost sharing programs by almost 90 percent, from $208 million to $27 million.

These funding recommendations make it impossible to carry out the objectives expressed by Secretary Lyng in his statement on sustainable agriculture. It is inconsistent to try to strengthen ground water protection by increasing funds for water quality research while at the same time eliminating funding for sustainable agriculture and cutting funding for conservation cost sharing programs.

Do you believe that USDA support for sustainable agriculture is justified? Do you plan to make any changes in the budget recommendation for sustainable agriculture?

ANSWER (b):
Support for sustainable agricultural research is certainly justified, and the research agencies have been involved for several years in that activity. The FY 1990 budget will be ready for submission to Congress before I become Secretary. Hence, we'll have to deal with it through whatever flexibility the appropriations may have when they are authorized by Congress. I will have an opportunity to examine sustainable agriculture in the context of the FY 1991 budget.

QUESTION FROM SENATOR KERREY 103

QUESTION:
Ambassador, while we are now in the Bush Administration, you were also a top official in the Reagan Administration. One of the things that troubled me about the Reagan Administration's Ag and trade policies is that, even as you were assuring Congress and our farmers that the U.S. would not make unilateral concessions under the GATT, USDA was telling Congress, in writing, of its full support for legislation to reduce the sugar loan rate and increase sugar imports. That appears to be an example of a unilateral concession. Please give me your thoughts on this policy of the Reagan Administration and your plans for these programs in the Bush Administration.

ANSWER:
The Reagan Administration attempted for a number of years to effect changes in the U.S. sugar program, since the program has posed problems in farm policy, trade policy and foreign policy. Though the Bush Administration's policies in this area have not yet been formulated, I would expect to see a continued commitment toward reducing trade barriers, without unnecessarily exposing U.S. producers to the highly interventionist price-support and export subsidy practices of other producers, such as those in the European Community. I would expect the coordinated rollback of trade distorting subsidies around the world to remain a major goal of U.S. trade policy. I believe that we could make some changes in our sugar program without diminishing our negotiating leverage in the Uruguay Round. I do not consider farm programs to be off limits legislatively simply because we have a multilateral trade negotiation underway. We do, however, have to use good judgment on such issues, making sure that any changes in the law mesh with our negotiating strategy.

QUESTION FROM SENATOR DOLE 104

QUESTION:
What type of stance will you take in administering the Export Enhancement Program (EEP)?

ANSWER:
As long as the EC subsidizes its farm product exports, we need to use EEP to neutralize those subsidies as we deem appropriate.

QUESTION FROM SENATOR DOLE 105

QUESTION:
It has been brought to my attention that Egypt will purchase 250,000 metric tons of wheat flour in early February for their spring needs and that USDA turned down an "urgent request" made by Egypt for an EEP flour initiative last week. I would be interested in knowing if you will pursue an EEP flour sale to Egypt for their spring needs and whether USDA will be aggressive in pursuing value-added product sales.

ANSWER:
I will examine all outstanding EEP initiatives and new possibilities for EEP programming as soon as I am on board. We must, of course, make sure our limited financial resources are being effectively used. If we are to maximize export volume, EEP is more cost effective for bulk rather than value- added commodities. But we'll examine each proposal in a comprehensive way, and I'll appreciate any recommendations the Committee may have.

QUESTION FROM SENATOR: Robert Dole 106

QUESTION:

In view of the persistent dry weather and the need to have adequate protection for farmers, do you intend to make improvement of the Federal Crop Insurance Program and increased farmer participation a major thrust of your administration?

ANSWER:
Weather conditions are a major concern, and they seem to be having a direct impact on crop insurance participation. Based upon projections received from private insurance companies and master marketers who service the program, FCIC expects premium income to almost double, from $435 million in 1988 to almost $800 million in 1989. Insured acreage may reach nearly 100 million acres, up from 54 million acres in 1988. This would push the participation rate up to almost 44% of potential insurable acres.

Problems remain in making the product a more useful risk management tool, and in improving service to producers. FCIC is working aggressively with its partners in the delivery system on actuarial, marketing, and management improvements to meet these needs. We welcome the work of the new Commission for the Improvement of the Federal Crop Insurance Program and I look forward to their recommendations. This program has a myriad of shortcomings, and I hope the efforts of the Commission will be helpful in addressing those shortcomings.

Question from Senator Dole #107

Question

I understand parts I & II of the "Improved Standards for Laboratory Animals Act", which passed as part of the 1985 Farm Bill, are ready to go but are still under review by OMB. Will you encourage OMB to publish parts I and II of these regulations as final, and publish part III as proposed regulations, in the Federal Register? Also, regarding the recent reorganization of APHIS, do you plan to increase the frequency of inspections of laboratories and animal dealers as the subcommittee on Ag Appropriations has suggested?

Answer

I am aware that the issuance of Animal Welfare Regulation is of great interest to a large segment of the public as well as the affected industries. It is my understanding that due to the sensitivity of the issues, additional information was needed before they could be cleared in final. If the regulations are still pending when I take office, I will review the outstanding issues as quickly as possible in order to expedite their publication.

I am told that APHIS plans to increase the quality as well as the number of AWA inspections and reinspections of facilities in 1989. Efforts will be redirected from facilities that have consistently been in compliance to those whose compliance has been unsatisfactory. However, inspections will be conducted an average of twice a year in all facilities, with follow-up inspections as needed.

QUESTION FROM SENATOR DOLE #108

QUESTION:
I understand the Government of Argentina has not lived up to its commitments to eliminate the system of differential export taxes that it applies in the soybean sector. Will you use your authority and work with the USTR to resolve this problem?

QUESTION FROM SENATOR RICHARD LUGAR #54

QUESTION:
There have been a number of efforts to persuade Argentina to eliminate the system of differential export taxes that it applies to soybeans and soybean products. The U.S. soybean processing industry filed a Section 301 case several years ago and we understand that USTR has actually received verbal commitments from the Argentine Government to eliminate these subsidies. Still, the differential tax system remains. Could you please tell the Committee if USDA and USTR will seek and resolution of this problem and could you give some indication of the timing and procedures for going about this?

ANSWER:
Argentina has not made credible efforts to resolve this longstanding bilateral trade dispute. We have repeatedly registered strong concerns to Argentina about this program. If Argentina is unable to take the necessary steps to settle this dispute, we at USDA will have no choice but to recommend that the U.S. Government take appropriate countermeasures. The timing for action is a USTR decision.

Question from: Senator Fowler #109

QUESTION:

What are your thoughts about initiatives in this area? Will you strive for better coordination at USDA in the area of rural development? Will you support an omnibus rural development package?

ANSWER:

I would begin by stating my firm belief that to achieve success in rural development activities and initiatives the agenda must be driven by local leadership and need. Rural communities can then call upon the wide array of Federal, State and private sector resources to augment their efforts and activities.

I would hope to provide an answer to the first question you ask by answering the second and third. As Secretary of Agriculture it is incumbent on me to properly and efficiently manage the limited resources of the Department. The Department must find ways to stretch resources further and direct them to the rural areas that are most in need. In this spirit I would reference the establishment of the Department's Revitalization Task Force that is charged with developing a comprehensive, budget neutral, USDA Rural Development Plan of Action. Among the many issues the Task Force will encounter is the question of better coordination of the Department's activities with regard to rural development.

I need to assess the rural development situation thoroughly before deciding what, if any, additional legislation is needed.

QUESTION FROM SENATOR FOWLER #110a

QUESTION:
I know from our earlier discussion of your interest in the Conservation Reserve Program. As I mentioned to you earlier, I am interested in targeting parts of the program for environmentally sensitive areas and for wildlife. Will you support future changes in the CRP for more incentives in the area of planting hardwood trees (for example; 15 year contracts and increased payments) and wildlife habitat areas even on land that is not highly erodible such as windbreak and shelterbelt programs that are less restrictive than what we have available today?

ANSWER:
It is my understanding that USDA published interim rules within the past several weeks that allow certain floodplain areas and wetlands to be eligible for the Conservation Reserve Program. I believe we need to see what the impact of these changes will be on establishing more trees and on wildlife habitat improvement before any additional incentives are provided. We need to fully explore and evaluate all means of improving our wildlife habitat and supply of hardwood timber. There may be more effective and efficient means of achieving these goals than through the conservation reserve program, which can be costly. It is also my understanding the Department is actively promoting the use of windbreaks and shelterbelts and that many previous program restrictions have been eliminated to encourage the application of these conservation measures.

QUESTION FROM SENATOR FOWLER #110b

QUESTION:
The Bush Administration is supporting a No Net Loss Wetland policy. I applaud this effort on behalf of our new President. But I also encourage what one might term a Net Gain Policy. We have lost over 100 million acres, by some accounts, of wetlands in the United States and I am very interested in an aggressive wetland restoration program. The Interior Department has been very successful in its wetland restoration program. USDA has recently changed CRP policy to allow the placing of wetland areas that have been previously cropped in the CRP. I am excited about this but I feel that it is not being promoted as it should be by ASCS and SCS personnel in the field. Will you continue these efforts and increase USDA initiatives for a Net Gain policy which would require somewhere in the neighborhood of 1 million acres in restored wetlands a year. (We are losing 500,000 acres a year).

ANSWER:
I am assured that USDA agencies are strongly promoting enhancement, improvement, and restoration of wetlands where practical. Policy changes within USDA over the past decade, coupled with implementation of the Wetland Conservation Provisions (swampbuster), have significantly reduced conversions of wetlands, while at the same time restoring many wetlands. This positive contribution will continue, and hopefully will result in a net gain outcome. A one million acre net gain would, however, seem unrealistic.

QUESTION FROM SENATOR FOWLER #111a

QUESTION:
As I ride through rural Georgia, I see town after town with FmHA inventoried houses just sitting there. While at the same time I see people living in these towns, in houses that are barely standing up. Is there any way we can somehow lower the standards for inventoried homes that are not moving or establish some type of aggressive leasing program in these special cases? This coupled with the increasing number of rural homeless seems very practical to me.

ANSWER:
During the past year the Farmers Home Administration (FmHA) has reduced its inventory of single family homes, nationwide, from approximately 15,000 to 10,500. Georgia now has an inventory of 284 homes, down from 365 a year ago.

The homes seen standing unoccupied for long periods of time are most likely not in FmHA's inventory, but have judicial foreclosure pending, which sometimes takes 2 to 3 years to complete.

Since inventory homes are readily sold, leasing is really not necessary.

However, pursuant to the McKinney Homeless Assistance Act, FmHA has already received public comments and is finalizing regulations to permit leasing certain inventory homes to nonprofit organizations or public bodies for use as transitional housing for homeless or other low income persons.

QUESTION FROM SENATOR FOWLER #111b

QUESTION:
Georgia has had one of highest, if not the highest, number of delinquent Farmers Home Administration (FmHA) loans. In this period of restructuring farm loans, will you place emphasis among your field offices to keep those farmers that want to stay on the farm, on the farm? We are very worried in Georgia, that farmers are not being counseled as to their every option under the law.

ANSWER:
More than 4,500 Georgia farmers who are at least 180 days delinquent, were sent a complete discussion of the options provided under the law. The publication used to advise farmers of the various options was published as a part of the Agency's proposed rules and regulations.

In addition the Georgia FmHA has issued 5 press releases and held 10 group meetings with farmers to make sure they are aware of and fully understand the options available.

Counselling is a long standing feature of FmHA's supervised credit program. Georgia farmers who have indicated an interest in the loan servicing options, are being carefully counselled by FmHA field staff.

To be absolutely sure that all of a borrower's financial options are fully analyzed and considered, the Agency has developed a computer program to analyze and consider every possible combination of options. The end product of the computer analysis is the best possible restructuring plan for the borrower's FmHA debt.

We hope that everything possible is being done to keep every Georgia farmer who can meet the necessary requirements on the farm. With so many 180 day delinquencies, however, some of them are simply not going to make it. The American taxpayer will take the hit for some loans that probably never should have been made.

QUESTION FROM CONGRESSMAN FOWLER #112

QUESTION:
In section 637 of this year's Agriculture Appropriations Act, Congress directed REA to permit additional prepayments of REA guaranteed Federal Financing Bank loans without penalty and directed further that rules governing these prepayments be adopted within 30 days after enactment. Here it is, over 120 days later and nothing has been published in the Federal Register and no prepayments have been permitted. I have a number of constituents who are vitally interested in the implementation of this provision. They are interested in prepaying these loans using private funds which, of course, will help in our deficit reduction efforts.

What assurances can you give me that if you are confirmed you will see to it that this provision of law is complied with and that regulations will be promptly forthcoming?

ANSWER:
I understand there have been some extenuating circumstances with these particular regulations. However, as Secretary of Agriculture I will make it a priority to get the issues resolved, the regulations issued, and the program implemented promptly.

QUESTION FROM SENATOR FOWLER #113

QUESTION:
We have several commodity programs in my State that are very cost-efficient and growers and farmers seem to be very happy with them. From all the reports in my State, most farmers seem content with the 1985 Farm Bill. I hope that we can concentrate our efforts in agriculture on selling our products at home and abroad, in dealing with environmental problems, and with the issue of solid rural development. Can you enlighten us as to your thoughts about themes for the 1990 Farm Bill?

ANSWER:
As I mentioned in my opening statement, we cannot rationally construct farm legislation for the 1990's until we know the outcome of the Uruguay round. I agree that the 1985 Farm Bill has generally done what we expected it to do. Over the coming months, we will work closely with the Congress and the various agricultural interests to develop legislative proposals to improve on what has been accomplished under the 1985 legislation. In broad terms, I believe the 1990 Farm Bill must:

1. Improve our competitive position in world markets. Our market share in most agricultural products should be considerably higher than it is today.

2. Protect farm income while, at the same time, making our programs more cost efficient.

3. Provide farmers more flexibility in their planting decisions so that they can more readily react to market forces.

4. Address the health and environmental issues with respect to water, air, food quality, the conservation of our natural resources, etc.

QUESTION FROM SENATOR CONRAD #114

QUESTION:
Mr. Yeutter, I am interested in your attitude toward the Rural Electrification Administration. As you know, during the past eight years the agency has been under continual attack both by the President's budget each year and by the past REA Administrator who seemed to view his job as trying to eliminate the REA rather than manage it.

You also know that rural areas have experienced severe economic problems in the 1980s. Many of the gains made in the 1960s and 1970s were reversed. Today rural areas have higher unemployment and poverty rates, and lower per capita income than urban areas. The list goes on, but fortunately because of REA, reliable electric service at reasonable rates is not on the list of problems.

In my state, the loss of REA would add $150 to $200 per year to the average light bill in interest costs alone. Such an increase would greatly add to the burden of rural communities and further discourage rural development. If the Administration continues to advocate the phase out of REA, it will encounter two problems: First, the effort will be unsuccessful. Second, an opportunity will be lost to use this key rural network as a part of the solution in revitalizing our rural economy.

On the other hand, with the proper attitude of the new Administration, this extensive network of local member-owned rural electric cooperatives could become even more active in rural development and job creation projects.

My point is that a change in Administration can yield tremendous dividends in our rural communities.

SO IN SUMMARY, WILL YOUR ATTITUDE TOWARDS REA BE THAT OF AN ALLY OR ADVERSARY -- WILL YOU PROPOSE TO PHASE OUT THE REA?

ANSWER:
The REA has achieved an impressive record of supporting the delivery of electrical and telephone services to our nation's countryside.

I will work to maintain the REA's objectives in the most cost effective way possible within the constraints of our overall budget.

The budget disciplines are just a lot tighter than they were years ago, and that is likely to continue in the future.

QUESTION FROM SENATOR CONRAD #115

QUESTION:
Mr. Yeutter, will you take a careful look at the criteria used to extend EEP and to develop a rational system which will not be used to distort domestic price relationships?

ANSWER:
I plan to look carefully at this aspect as well as other aspects of EEP operations and make changes as may be necessary and appropriate.

QUESTION FROM SENATOR CONRAD #116

The current operation of the Indian Acute Disaster Program, Indian farmers need to be practically destitute to qualify for livestock feed assistance. They must be unable to obtain credit from FmHA, they must have no cash available and no feed on hand. Then assistance is limited to 4 lbs. per animal per day -- about one fourth of what is needed.

It is February 2, 1989, and Indian ranchers are still trying to get feed assistance. This program seems designed to drive Indian ranchers off the land rather then help then.

QUESTION:
Can we have your commitment that you will expedite livestock feed assistance for Indian ranchers and farmers?

ANSWER:
Livestock feed assistance under the Emergency Feed Program and Emergency Feed Assistance Program are available to all livestock producers. As of July 22, 1988, all 53 counties in North Dakota were authorized to implement both of these programs.

Under the Emergency Feed Program, ASCS will provide cost-share assistance to producers for purchased feed not to exceed half the cost. Under the Emergency Feed Assistance Program, producers may purchase CCC inventory at a reduced cost.

To be eligible for these programs a producer must have suffered a 40 percent loss of normal production and not have sufficient feed on hand to feed eligible livestock to the end of the feeding period.

The North Dakota program should be working but we'll check on possible administrative problems.

CCC also makes available CCC inventory that can be donated to Indians under the Indian Acute Distress Donation Program. This program is administered by the Bureau of Indian Affairs, Department of Interior.

QUFSTION FROM SENATOR CONRAD 117

QUESTION:
Do you have an alternative farm program in mind that will meet the criteria I have outlined--or will you be advocating that Congress continue the current program with continual cuts?

ANSWER:
The 1985 Farm Bill has worked well to address the problems of competitiveness, financial stress, surpluses, and high budget outlays that we faced in the mid-1980's. Our proposal to multilaterally eliminate trade distorting subsidies and move further to a market-oriented agriculture will help U.S. agriculture to grow and utilize its comparative advantage.

For the present, we will continue to review and modify the programs and policies that were initiated by the 1985 Farm Bill while working within the constraints of budget limitations.

We look forward to working with the Congress on a bi-partisan basis to develop farm programs that will strengthen American agriculture. But we have to identify creative ways to do that without spending gigantic sums of the taxpayers' money. Those sums are just not going to be available when we are facing $150 billion budget deficits.

QUESTION FROM SENATOR CONRAD 118

QUESTION:
In international trade discussions, you have supported total decoupling of agricultural supports from production. Would the U.S. benefit from universal decoupling?

ANSWER:
Yes, so long as we are plagued by surplus production, and so long as the same situation prevails globally. It just doesn't make sense for any country to tie income supports to production levels, generating still more surpluses which must then be dumped on the market somewhere sometime somehow. That constitutes an enormous waste of financial resources. Decoupling won't solve all the ills of the world, but it would certainly contribute in a positive way to alleviating the problem I've just described.

QUESTION FROM SENATOR CONRAD 119

QUESTION:
Would the U.S. benefit from unilateral decoupling--suppose we went the decoupling route alone, who would benefit?

ANSWER:
We would save money in the operation of our farm programs by decoupling, and we've already done that to some degree. But it is important to do this in a way that will not reduce our negotiating leverage in the Uruguay Round, and in a way that will not jeopardize supplies available to meet our export needs. The same caveat applies to any other changes that we might take in our farm programs over the next two years.

QUESTION FROM SENATOR CONRAD 120

QUESTION:
What effect would decoupling have on land prices in the U.S.?

ANSWER:
Farm land prices are affected by many factors including expected returns and interest rates. The effect of decoupling on land prices would depend on the level of income support to agriculture, how farmers allocated resources in response to the flexibility provided by decoupling, and the growth in export markets brought about by a more competitive U.S. agriculture. As with all policy changes, there will be tradeofffs in decoupling. Some land prices will likely increase, others may decrease. In the aggregate, anything that makes American agriculture more efficient should ultimately increase the economic return to factors of production, including land.

QUESTION FROM SENATOR CONRAD 121

QUESTION:
Are there any instances of wheat, corn, or oilseeds export volumes increasing in the 1980's while export values decreased?

ANSWER:
Yes. For FY 1987 wheat export volume rose around 11 percent while value declined 11 percent. For corn, volume was up more than 26 percent, but value dropped about 7 percent. This was the first year of the Food Security Act of 1985 and the combination of lower loan rates and export promotion programs enabled the United States to expand exports. However, world stocks of wheat and coarse grains at the beginning of the 1986/87 marketing year were at record levels. Thus, competition was fierce and export prices low. However, in 1987/88 as world demand increased and exports of foreign competitors declined, export values increased at a faster pace than export volume. In the long-run, we hope to generate both additional volume and value of exports.

QUESTION FROM SENATOR CONRAD 122

QUESTION:
Do you support any type of stabilization programs for agriculture in order to minimize price and income swings?

ANSWER:
Agricultural supply and demand are inherently unstable, affected by weather and economic conditions both here and abroad. Current farm legislation provides a broad range of tools for minimizing the instability farmers face. There are private sector tools available as well. However, I believe most farmers are more interested in income than in stability. Lots of other countries provide stable farm incomes. The problem is that they are stable at very low levels. I'd rather accept the instability of a dynamic, free enterprise, market-oriented society like ours, and thereby have a much higher potential income level.

QUESTION FROM SENATOR KENT CONRAD 123

QUESTION:
Mr. Yeutter, the Agricultural Credit Act of 1987 was the major piece of agricultural legislation passed by the last Congress. The Act created the Farm Credit System Financial Assistance Board, with the responsibility to carry out a program to provide assistance to the Farm Credit System and its farmer and rancher borrowers. As Secretary of Agriculture, you will be a member of that three person Financial Assistance Board, along with the Secretary of the Treasury and an appointee of the president.

As you know, the Financial Assistance Board has now provided assistance to several Farm Credit System institutions and according to reports I hear, by and large, those assistance efforts are proving to be good investments. The Farm Credit Bank of St. Paul, which provides credit services to my state of North Dakota, has used that assistance and good management practices to start a healthy return to profitability. I trust you will continue as a member of the Financial Assistance Board to make available financial assistance where it is needed and where the track record shows that is being well used. Do you concur with that and would you like to comment?

ANSWER:
I will continue as a member of the Board, and we'll use our best judgment in carrying out our assistance responsibilities. So far the program seems to be working well.

QUESTION FROM SENATOR KENT CONRAD 124

QUESTION:
You may also be aware that the Financial Assistance Board recommended that the Federal Land Bank of Jackson and the Association in that District be placed in receivership, presumably as the least cost alternative to the System and to the taxpayers for solving the problems in that District. I assume that you agree that the problems of the Jackson District should be worked out at the least cost to the taxpayers and other members of the Farm Credit System. Will you give us your thoughts on that subject?

ANSWER:
Yes, I would want the Assistance Board to continue its focus on the costs to the institution, the U.S. taxpayer, and the other System institutions as primary considerations in any assistance request.

QUESTION FROM SENATOR KENT CONRAD 125

QUESTION:
Mr. Yeutter, when you join the Financial Assistance Board, I hope you will take a fresh look at whether selling off the Jackson Bank's assets in the manner that the Receiver has begun is the most efficient and the least costly way of proceeding. I have heard estimates that liquidation of the Jackson Bank's assets may leave as much as a $500 million to $600 million shortfall to be covered by the taxpayers or other System institutions. Will you take a fresh look at how the Jackson situation is being conducted, whether receivership is still the best procedure, whether more bids should be sought for assets, or whether any changes should be made?

ANSWER:
The bidding process and the sale of the assets of the Jackson Bank in Receivership are by statute and regulation within the authority and control of the Farm Credit Administration and the Receiver. It would be inappropriate for the Assistance Board to interfere in that process.

QUESTION FROM SENATOR KENT CONRAD 126

QUESTION:
Again, referring to the Jackson situation, Mr. Yeutter, if the liabilities exceed the assets of the Jackson Bank and leave substantial shortfall, as is expected, the assistance program set out in the 1987 Agricultural Credit Act provides the way to spread the cost of the shortfall over a number of years. This would minimize the burden on many financially fragile institutions. However, I have heard that the shortfall will be made up with an assessment under the joint and several liability procedure from the System institutions.

Several banks which are just now on the way to recovery might be devastated by new debts under their joint and several liability to Jackson stockholders. That is not what Congress had in mind, and I hope it is not being considered by the Financial Assistance Board. I would like for you to confirm either now, if you know, or in writing later that financial assistance will be used, if necessary, to meet obligations to the Jackson bondholders so that the Farm Credit System institutions will not face new obligations under joint and several liability. Can you address this issue at this time? If not please specify when you will be able to address it.

ANSWER:
Obviously, I have not yet had an opportunity to consider this issue. However, a decision whether to provide assistance to enable the Jackson Bank to meet its maturing debt obligations is one that will have to be made by all members of the Board of Directors of the Assistance Board when the situation presents itself.

QUESTION FROM SENATOR CONRAD QUESTION:127

QUESTION:
Last year, in 1987 a USDA-commissioned Task Force on New Uses for Farm and Forest Products issued a report on the enormous opportunity presented by the development of new industrial uses for agricultural commodities. In that report, they found that the primary obstacles to the commercialization of these new products were lack of coordination and business financing. The Task Force recommended the establishment of a federal foundation to provide financial and technical assistance to companies seeking to commercialize these new industrial uses.

Last year, I introduced a proposal to implement the recommendations of this USDA Task Force. The Administration has strongly opposed this proposal, asserting their current authority to grant exclusive licenses of federal patents to private companies through the Technology Transfer Act was adequate to assist in the commercialization of these new uses. I do not agree, nor did the USDA Task Force.

Do you believe that the federal government should provide business financing to assist in the commercialization of new uses as a tool for rural economic development?

If not, what do you believe is the appropriate federal role in technology transfer for rural economic development?

ANSWER:
The development of new crops and new uses for our farm and forest products holds great promise for the diversification of agriculture, and for our entry into new markets. The existing Farmers Home Administration Business and Industry program already provides for the development of industrial uses of agricultural commodities, where appropriate. Such development is encouraged when the business has a proven track record of products and services and when the venture is otherwise creditworthy.

The Technology Transfer Act can also be very helpful in bringing about the commercialization of agricultural products. USDA has moved aggressively to implement the Act and the President's Executive Order 12591. These authorize and mandate a program of cooperation with private industrial firms to transform Federal laboratory research results into commercialized technological developments. Through the Agricultural Research Service and the Forest Service these efforts are paying off in cooperation between USDA laboratories and industrial firms.

As of December, ARS has entered into 47 agreements with industrial firms and 31 more are under negotiation. In accordance with provisions of EO 12591, an industry-university-Federal laboratory consortium has been formed by the ARS Regional Research Center at Peoria, Illinois, the University of Illinois and six industrial firms. This consortium is using a combination of USDA, State and private industry funds totaling $19 million over five years to apply biotechnology to the development of new agricultural products and processes. As the Forest Service Technology Share laboratory, the FPL has concluded a multi-party arrangement involving the University of Wisconsin and several major industrial participants in a pulping research and development consortium.

QUESTION FROM SENATOR RUDY BOSCHWITZ #128

QUESTION:
I would like to follow up on a question asked by Senator Lugar about the cuts in the school lunch program proposed by former President Reagan. In your response, you commented on the school lunch subsidies provided for the "paying child." You stated that among the children from families with income exceeding 185% of poverty the median income was $39,000.

First, we need to clarify that the school lunch subsidy does not go directly to the child or child's family but that it goes to the school for operating the school lunch program.

Second, the school lunch program serves 24 million students and about half receive free or reduced price meals. Using the figures you cited earlier, about 75 percent of the children served through the school lunch program come from families with income at or below $39,000. To me, this shows that the school lunch program reaches primarily low and middle income children and ensures that they receive a nutritious meal. Do you agree with this statement?

ANSWER:
Yes, I agree. Moreover, as these subsidies are passed through the schools to the students' families, the Federal subsidy is well targeted. The vast majority of the value of these subsidies is received by those who need assistance most.

The real question is not whether children should be eating lunch; it is whether or not the Federal Government should pay for part of the meals served to children from families who can actually afford to pay. The budget deficit problem compels us to ask if it is essential to continue to spend approximately $950 million a year to subsidize schools and day care facilities for meals served to students from middle- and upper-income families. We must take into consideration that 25 percent of the students earning subsidies are from families with annual incomes at or above $39,000.

Question from: Senator McConnell #129

QUESTION:

During the confirmation hearing I mentioned that Kentucky ranked fourth in the Nation in the number of farms. I would like to follow up by asking for your opinion on the general direction that the USDA should take in the area of rural development and would you give this issue increased priority?

Over the past years many opinions have been expressed but very little accomplished. Do you think there should be a more focused effort within the Department by realigning and centralizing some various responsibilities?

ANSWER:

America's rural economy is in a state of change and indeed has been for some time. Mindful of this, it is critical that the Department constantly review and amend policies and initiatives to meet its many new challenges.

To specifically answer your question regarding the position of rural development on my list of priorities, I can simply and honestly say, rural development is one of my top priorities. Literally every action taken by this Department impacts rural America. It is my intention to keep close watch on the Department's specific activities related to rural development and make certain every effort is made to address the issues and problems of the Nation's rural residents and economy in a timely, efficient and proper fashion.

With regard to a possible realignment I would reference the Department's 1989 rural development report *Signs of Progress* that speaks of the establishment of a Department-wide Revitalization Task Force to explore this and the many issues associated with USDA's rural development activities. I believe that most of the issues and problems can be addressed through administrative action under current authority. If we need additional legislation, we will, of course, discuss the matter with this Committee.

QUESTION FROM SENATOR MCCONNELL #130

QUESTION:
The recent gains in tobacco exports are very encouraging. Are there some specific tactics that were employed during those negotiations that can be carried over to open more foreign markets to other commodities? What might they be?

ANSWER:
Aggressive use of our remedies under GATT have contributed to our successes in opening the market for imported cigarettes in Japan, Taiwan and Korea.

In the cases of Japan and Korea, investigations conducted under Section 301 ultimately resulted in those countries agreeing to eliminate restrictions on imported cigarettes. Taiwan agreed to open its market when faced with the prospect of an imminent U.S. Government-initiated Section 301 investigation.

In all three cases, the Section 301 provision provided the impetus for accelerated, good faith negotiations which resulted in successful market opening arrangements.

We intend to continue aggressively pursuing unfair trade restrictions, not only for tobacco and tobacco products, but for other agricultural commodities as well.

The Section 301 provision will continue to be used, where appropriate, as an effective tool for eliminating unfair trade practices.

Beyond that we simply have to be tough, skilled negotiators.

QUESTION FROM SENATOR BOND QUESTION:131

QUESTION:
In recent years, USDA has become involved in researching new industrial crops such as crambe, guayule and kenaf. In fact, I believe USDA has expanded, or placed renewed emphasis, on its critical materials office. Can we count on you to continue to emphasize the importance of developing these new crops? Will this be reflected in USDA budgets developed while you are secretary?

ANSWER:
The development of new crops and new uses for our present farm and forest products holds great promise for the diversification of agriculture, and for our entry into new markets. The current research budget of USDA does contain funding for this purpose, and I will continue to support these efforts.

QUESTION FROM SENATOR BOND #132

QUESTION:
Judging from the broad support of the conservation title of the Food Security Act of 1985, I expect similar emphasis in 1990. Having heard both positive and negative comments about conservation compliance, do you believe we should stick to the 1990 deadline for conservation plans and the 1995 deadline for implementation of these plans?

ANSWER:
I believe that we should stick to the deadlines established in the legislation. Completion of the required conservation plans on highly erodible land remains the top priority of the Soil Conservation Service. As of December 31, 1988, 65% of the needed conservation plans had been completed, and the Chief of SCS has assured me that the remaining 35% of the plans can be accomplished by the end of 1989.

The conservation plans contain schedules for implementation during the period from January 1, 1990 through December 31, 1994. We are confident that these schedules can be met.

QUESTION FROM SENATOR BOND #133

One of the most important secondary benefits of the Conservation Reserve Program has been the creation and preservation of wildlife habitat. Wildlife agencies throughout the country have indicated significant increases in populations of quail, pheasants, and other species. I believe this is due to Secretary Lyng's decision to deny grazing. Haying was allowed only due to the extreme drought, and even then filter strips were required.

QUESTION:
Will you continue to oppose haying, grazing or any other use which will reduce the important gains made in wildlife conservation?

ANSWER:
The Department will continue to oppose grazing or making any other use of the forage from CRP land except such as the 1988 drought.

The emergency exception, if ever used again, will include measures such as leaving strips or areas of uncut hay to minimize the effect of harvesting on wildlife and other environmental benefits.

QUESTIONS FROM SENATOR WILSON #134 AND 135

QUESTION:
Ambassador Yeutter, as you are aware, the U.S. has had several trade scrimmages with the European Community in the past few years. EC retaliatory actions have particularly focused on specialty crops grown in California. Last year, Congress included in the Omnibus Trade and Competitiveness Act language encouraging the Secretary of Agriculture to use Targeted Export Assistance ("TEA") funds immediately when a retaliatory trade action adversely affected U.S. agricultural producers.

Specifically, the Secretary is to use TEA funds in cases where agricultural producers were injured by by retaliatory trade actions more than once. Through the use of TEA, the effect of the retaliatory action could be offset.

Mr. Ambassador, do you intend to support the use of the funds for producers and agricultural commodities that have been adversely harmed by retaliatory trade actions more than once.

On a related matter, in determining what assistance would be provided to producers, the Secretary was directed to consider whether the retaliatory trade action established any tariff or non-tariff trade barriers, or any other trade action which has the effect, if implemented, of influencing market price stability through the reduction of sales, loss of markets, reduction of market prices, or reduction of export sales of the agricultural commodities and products.

Mr. Ambassador, will these variables be taken into account when using TEA funds?

ANSWER:
I am aware of the language in the report of the Conference Committee on the Omnibus Trade and Competitiveness Act, urging the Secretary to make immediate use of the TEA program when a retaliatory action affects the producers of a commodity. The word "immediate" gives us some difficulty, since, in order to provide equitable access to the program, a public announcement is made and all resources are allocated together at one time during the year. This means, for example, that available resources are already fully committed to program participants for FY 1989.

We will certainly give due attention to applications for program participation to support exports of products which have been affected by recent retaliatory actions during the upcoming allocation cycle. We hope to allocate FY 1990 TEA resources in June or July, 1989, if the level of available resources is adequately defined by that point in the year.

QUESTION FROM SENATOR WILSON #136

QUESTION:
Mr. Ambassador, I know that you are familiar with a 301 Case that has been pending for many years involving one of California's commodities, canned fruit. It now appears that the EC has not been in compliance with the bilateral accord struck in 1985 that we all hoped would settle this matter permanently and eliminate the processing subsidies that were the subject of the 301 complaint. I understand that Europe has continued to undercut world market prices for canned fruit by 20 to 30 percent, resulting in close to $10 million dollars in lost sales to the U.S. canned fruit industry.

This case would seem to be a candidate for U.S. retaliatory action against the EC.

I would like to know your thoughts on this matter, and, in particular, what steps you might take to ensure that the canned fruit accord and other settlement agreements, once finalized, will be enforced.

ANSWER:
This is a clear-cut case of trade impairment. The U.S. has properly pursued remedies provided by U.S. trade law and the GATT in an attempt to redress the unfair competition resulting from EC oversubsidization. The 301 Case, filed in 1981, was followed by a 1984 GATT panel report ruling in our favor. Supported by this ruling, the 1985 Canned Fruit Agreement was reached after President Reagan established a deadline for a resolution of the matter. Failing this the United States was to initiate withdrawal of equivalent concessions. Under the Canned Fruit Agreement the EC agreed to fix the processing aid in such a way as "not to subsidize the processing operation for peaches in syrup".

In 1988, when it was learned that the EC was not in compliance with the Canned Fruit Agreement, and was in fact oversubsidizing their domestic peach processors as much as 25% for their cost of raw fruit, consultations were immediately called for to resolve this issue. To date, the EC maintains that they are in compliance with the agreement. Further U.S.-EC talks on January 23, 1989 failed to resolve U.S. concerns over the EC's inaction to resolve this issue. We are currently considering an appropriate response, including the withdrawal of equivalent concessions.

Question from Senator Gorton #137

Question

As you are aware Mr. Yeutter, trade policy issues can be impacted by levels of government which normally do not directly consider international trade in their decision making. Examples of these levels within USDA are the Animal and Plant Health Inspection Service (APHIS) and the Agricultural Research Service (ARS). Given that many of the trade barriers facing high value U.S. agricultural exports are in the non-tariff area, would you agree that efforts at overcoming specific foreign trade barriers involving either APHIS or ARS should be coordinated by the Foreign Agricultural Service (FAS)?

Answer

In negotiating health requirements for the international movement of agricultural products, the USDA is committed to ensuring that any health restrictions are based solely on biological considerations. This principle is followed by officials of our Animal and Plant Health Inspection Service (APHIS) in their discussions with their counterparts in other countries. Nevertheless, APHIS coordinates its activities closely with the Foreign Agricultural Service. The question of which should be the "lead" agency depends on the issue and will be determined on a case-by-case basis.

Question from Senator Gorton #138

Question

On a similar line, often questions concerning agricultural imports decided by APHIS may have a relation to foreign policy initiatives of FAS. While science and fact should control decisions made by APHIS, is it not reasonable that the Department consider linking technical decisions with closely related trade objectives? (For example, the U.S. has granted Japanese pears entry into the U.S. contigent only on an inspection procedure. However, the Japanese government has refused to allow U.S. apples into its country under a similar inspection procedure.)

Answer

USDA bases health requirements for agricultural imports solely on biological considerations. Nevertheless, as required by Section 1151 of the 1985 Food Security Act (Public Law 99-198), consultations are held between the Administrator of the Foreign Agricultural Service (FAS) and the Administrator of the Animal and Plant Health Inspection Service (APHIS) before decisions are reached on removal or relaxation of any health restriction on the importation of any agricultural product into the United States. Similarly, the Secretary, through the FAS, consults with the United States Trade Representative before removal or relaxation of import requirements. We will continue to ensure close coordination among all USDA agencies whose decisions affect international trade in agriculture.

We realize that differences in inspection standards and procedures often lead to trade conflicts. To minimize these types of disputes, in our Uruguay Round agricultural proposal we advocate the strengthening of the GATT process so that countries will move toward harmonizing their use of health related measures which affect trade.

QUESTION FROM SENATOR GORTON QUESTION:139

QUESTION:
Continued Federal support for agricultural research is important to the agricultural community of my state. Are you fully committed to supporting the proposition that the Agricultural Research Service (ARS) remain a vital function of the Department? Will you work toward ensuring that it has the funds and manpower necessary to do its job, especially in the areas of pest control and agricultural chemicals?

ANSWER:
I am fully cognizant that ARS performs a vital function in the Department. As the in-house agricultural research agency, ARS has the major responsibility for conducting and leading the national agricultural research effort on broad regional and national problems. Research on pest control and the efficient use of agricultural chemicals fall within the purview of ARS research programs, and within the economic constraints we face and the need to provide a proper balance for other Department programs, the agency and the programs you mentioned will be actively supported.

QUESTION FROM SENATOR GORTON #140

QUESTION:
Can you tell the Committee what your role will be during rest of the GATT negotiating Round and how closely the Bush Administration will try to stick by the positions established by the Reagan Administration?

ANSWER:
Because of my experience as U.S. Trade Representative, I will be deeply involved in the final two years of the Uruguay Round, though only from the vantage point of agriculture and only to the degree Ambassador Hills wishes me to be. That negotiation is now her responsibility, and she must make the essential decisions on strategy and tactics. My USDA team and I will certainly be involved in helping USTR on all facets of the agricultural segment of the negotiations.

The fundamental policy positions of the Bush Administration will be the same as those of the Reagan Administration insofar as agriculture is concerned. They may be modified as the negotiations unfold, but that depends on what is offered by our trading partners.

QUESTION FROM SENATOR GORTON #141

QUESTION:
Some in Congress have said that environmental interests are going to drive the drafting of the Farm Bill as much or more so than the traditional agriculture groups who have done so in the past. Ultimately, I believe that this Committee's greatest task will be to balance the views of farmers and processors with those of the environmental constituencies. I believe that the interests of both can be found compatible--no one knows better than a farmer how important good environmental practices are to maintaining his soil and water.

As Secretary designate, and someone with a background in agriculture production, do you believe that the 1990 Farm Bill should include stricter environmental requirements on farmers? (Examples: chemical management, conservation practices).

ANSWER:
I do not see any compelling reason to impose more environmental requirements on farmers. USDA's approach of providing technical assistance, coupled with state and local initiatives, has worked quite well in addressing environmental issues such as chemical management.

The Department of Agriculture has a strong commitment to improve the quality of the Nation's ground and surface water. The soil and water conservation measures that farmers, ranchers and foresters have carried out voluntarily over the years, with USDA assistance, have done much to improve environmental quality. For example, under the Conservation Reserve Program, producers have contracted to establish grass or trees on over 28 million acres. Taking this land out of annual crops and putting it into permanent vegetative cover will make a major contribution toward improving the status and condition of our soil and water resources. In addition, the Department is gearing up to provide increased technical assistance to farmers and ranchers on Low Input Sustainable Agriculture (LISA). This too will have a positive impact on the quality of our environment.

Question from Senator Burns #142

QUESTION - In Montana, we have had some meat packing plants closed because of tainted meat yet the Reagan Administration proposed additional meat inspection cuts. The livelihood of this important industry is vitally dependent upon consumer acceptance and trust in the product. That trust stems from a high quality product. The federal government has a role in maintaining that public trust. I fear that that trust may soon be broken because of budget cutbacks. If that were to happen, the damage would be monumental. I feel I must ask the Secretary designee if he would outline his position as it relates to the federal inspection of meat products. Thank you.

ANSWER - I realize the importance of maintaining a strong meat and poultry inspection system from the consumer and industry standpoint, and appreciate your views in this regard. I am committed to seeing that the Department carries out its responsibilities according to the letter of the law relative to Federal inspection.

Meat and poultry inspection has not been slated for budget reductions. In fact, the FSIS budget has seen a steady increase over the past 8 years from $297 million in FY81 to $405 million in FY89. The budget request for FY90 is $423 million.

QUESTION FROM SENATOR HELMS 143

QUESTION:
Has the U.S. Forest Service done an economic analysis with respect to the 104 excess military helicopters (UH1H's), particularly the economic impact on the commercial helicopter operators who for decades have contracted to provide aerial firefighting?

ANSWER:
I am informed that the Forest Service has not done an economic analysis on this issue. The Forest Service does manage the distribution of excess military helicopters as a service to local governments at the direction of Congress but has not engaged in analysis of the impact such a program may have on commercial helicopter operators.

QUESTION FROM SENATOR HELMS 144

QUESTION:
Will the U.S. Forest Service hold title to the helicopters which are proposed to come from the military for transfer to State agencies?

ANSWER:
I understand the Forest Service will hold title. The Federal Property and Administrative Services Act of 1949, as amended 40 U.S.C. 483 apparently requires the Forest Service to do so.

QUESTION FROM SENATOR HELMS 145

QUESTION:
Does the U. S. Forest Service treat private sector helicopter operators the same as State government agencies with respect to contract preference and both helicopter safety and crew standards? (Please provide a detailed answer if there are any differences in contracting practices with public and private operators)

ANSWER:
The Forest Service informs me they normally use contract helicopters first in emergency fire situations. Helicopters operated by the States should not be competing with commercial operators. The Forest Service will continue to maintain its 98 private sector helicopter contracts plus another 172 call-when-needed helicopter contracts. Both contract and State operated helicopters that the Forest Service might use must meet identical safety and crew standards.

QUESTION FROM SENATOR HARKIN #146

QUESTION:
As part of the conservation title of the Food Security Act of 1985, Congress adopted a provision authorizing FmHA to reduce delinquent borrowers' debts in exchange for long-term soil and wildlife conservation easements. To date, the Department of Agriculture has not implemented this program and its regulations are so restrictive as to make the success of the program doubtful. As Secretary of Agriculture, will you vigorously implement this program and change the regulations so that they are flexible enough, particularly with respect to the permissible use of land under easement, to make this a feasible and attractive option for farmers?

ANSWER:
Farmers Home Administration (FmHA) has implemented the provision of the Food Security Act of 1985 which authorizes FmHA to reduce delinquent borrowers debts in exchange for long term (50 years) conservation easements. The Agency has been advised by the Office of General Counsel (OGC) that it was the intent of Congress that such easement land not be farmed.

The Agricultural Credit Act of 1987 made the Conservation Easement program one of the options available to farmers for debt restructuring. By virtue of the 1987 Act the program is one of the Primary Loan Servicing programs and must be considered in conjunction with other options.

The Agency considers this option carefully whenever a farmer makes a request. As of this date, 675 farmers have requested that they be considered for the Conservation Easement program. These requests will be fully considered.

QUESTION FROM SENATOR HARKIN #147

QUESTION:
The Farmland Protection Policy Act, as amended, requires a report at the beginning of each calendar year on the progress made in implementing the provisions of the Act. In particular, the report is to include information on the effects of Federal programs with respect to the protection of United States farmland. Further, the required report must include the results of the reviews of existing laws, rules, regulations, policies and procedures of each department, agency, commission or other unit of the Federal Government to determine whether any provisions thereof will prevent such unit from adequately protecting farmland.

It is my understanding that the Department of Agriculture has not placed any emphasis on this requirement that farmland be protected from capricious actions by a unit of the Federal Government, and that the required reports are not being filed.

Will you pledge that as Secretary of Agriculture you will file the required reports with comprehensive coverage at the times required by the Farmland Protection Policy Act?

ANSWER:
It is my understanding that the Soil Conservation Service is in the process of filing the Farmland Protection Policy Act (FPPA) report for 1988.

Timely and appropriate FPPA reports will be filed in the future as required by the Farmland Protection Policy Act.

QUESTIONS FOR SECRETARY OF AGRICULTURE DESIGNATE
CLAYTON YEUTTER
SUBMITTED BY SENATOR DENNIS DeCONCINI
FEBRUARY 3, 1989

The Forest Service has been involved in the long and arduous process of developing Land Management Plans. As you know, this is a tough process demanding hard work, patience, diplomacy and dedication. In this Senator's opinion, the Forest Service has, for the most part, done an outstanding job on these plans. However, if we don't fund these plans to at least a 90% level, they don't work.

QUESTION:

I would like to know if you intend to made the full funding of Forest Plans a priority in the Department's budget? In your opinion, what management measures may be undertaken to use projected outputs and receipts to augment appropriated dollars?

ANSWER:

As you know, I have not yet had an opportunity to review the Department's budget in detail. I know that the Forest Service is the Department's largest agency which is classified as "discretionary" in the budget. Discretionary programs will be under a great deal of pressure as we move to deal with the Federal deficit.

I am advised that forest plans are developed for 10 to 15 year periods. It is possible that full funding could be achieved over this period through expanded use of partnerships, volunteers and donations. We will work with the Forest Service to do everything possible in this direction.

QUESTIONS FOR SECRETARY OF AGRICULTURE DESIGNATED
CLAYTON YEUTTER
SUBMITTED BY SENATOR DENNIS DeCONCINI
FEBRUARY 3, 1989

Many issues facing the Forest Service require collective and creative solutions. The agency is to be commended for working with the private sector and environmental groups in the development of trails, recreational facilities, and wildlife habitat improvements. An approach that is being utilized on an experimental basis in the Southwest Region that facilitates these unique and creative solutions are Land Management Service Contracts.

QUESTION:

What management directives or how much autonomy can we expect you to give the Forest Service to develop regional programs that meet regional needs?

ANSWER:

The Forest Service is a very decentralized agency. Program options are developed through much analysis and intense public involvement. Resolution of issues locally, within the overall framework of national need, works well.

QUESTIONS FOR SECRETARY OF AGRICULTURE DESIGNATED
CLAYTON YEUTTER
SUBMITTED BY SENATOR DENNIS DeCONCINI
FEBRUARY 3, 1989

Another program that needs to be sensitive to regional needs is the Small Business Timber Set Aside Program. If the appropriate agencies and the private sector cannot soon come to an agreement on the operation of the set-aside program, I think you ought to take a look at the current size classification and make some recommendations.

QUESTION:

Have you had an opportunity to review the Small Business Timber Set Aside Program? If so, what are your thoughts concerning it? What actions, if any, do you anticipate taking in the immediate future?

ANSWER:

I have not had an opportunity to review the program. I am informed that on February 1, 1989, Forest Service officials met in Portland, Oregon with representatives of both the large and small business communities and the Small Business Administration to evaluate possible changes to the program. The comments from this meeting will be considered and a formal proposal will be published for public comment about the end of March.

I understand that size classification authority rests with SBA. I will be happy to coordinate with them on this.

National Democratic Policy Committee

P.O. Box 17729 • Washington, D.C. 20041-0729

SENATE AGRICULTURE COMMITTEE

HEARING ON THE

NOMINATION

OF

CLAYTON YEUTTER

TO BECOME

SECRETARY OF AGRICULTURE

Submitted by the

NATIONAL DEMOCRATIC POLICY COMMITTEE

JANUARY 26, 1989

The NDPC calls for the Senate to reject the nomination of Clayton K. Yeutter for Secretary of Agriculture, for reasons bearing on the issue of food security for the United States, food security for our Western Allies, and for the related strategic question of the Soviet food supply and their food demands.

The almost uniform response among the media to the nomination of Yeutter for the agriculture post was that he is perhaps "the most qualified" person ever to be recommended for the job. This characterization is based on how wrongly the job of agriculture secretary is now conceived. His qualifications will be discussed further below.

What is required of the Agriculture Department at present is to conceive and implement those emergency measures that will expand food output, at home and abroad, to make up for the depletion of the world's food stocks down to below crisis levels. In the last 6 months, the world has experienced a record drawdown of cereals stocks. Last fall, the United Nations Food and Agriculture Organization--known for understating world food needs, called for a 13% increase in world cereals output in 1989, to begin to replenish food stocks. This would be an increase worldwide of 230 million tons of cereals. For the past two years, world cereals output has been below world consumption levels, drawing stocks down to nothing.

Total world grain output in 1988 is estimated to be below 1.6 billion tons, down from 1.8 billion two years ago, and 1.7 billion in 1987. The latest reports show that vast parts of the grainbelt west of the Mississippi is severely deficient in sub-soil moisture, and the 1989 North American harvest is almost certainly to be another disaster.

In recent years, the OECD nations have implemented policies of "de-stocking" their food reserves, and "restructuring" their agriculture and related sectors, so that when the killer drought of 1988 hit North America --the world's breadbasket for exports, it automatically became a world catastrophe. Drought has also hit China, and hurt the harvests of wheat in Argentina and Australia. We have a world food emergency.

Clayton Yeutter's career, and his stated policy views of the past few years, place him squarely on the side of "destocking" of food reserves, and increased national and local dependency on the discretion of the international food cartel for whether you eat or don't eat, and at what price. As part of this, Yeutter is committed to guaranteeing huge Western food flows to the Soviet Union, without regard for the shrinking home supplies, genocidal hunger in Africa, and other areas of desperation.

Clayton Yeutter is not an agriculture production man. He is a commodities trade man. Yeutter sports the persona of a "corn and cow" farmer from Nebraska, but his biography shows otherwise. In the 1970s, Yeutter did duty at the Agriculture Department and in the Office of Special Trade Representative in commodities trading. Then he headed up the Chicago Mercantile Exchange for seven years. The Chicago Board of Trade has as much connection to farm production as a casino does to a steel mill.

Since Yeutter became Special Trade Ambassador in 1985, he has made his

name synonymous with "free trade " internationally. For Yeutter, the term "free trade" means the same thing as it did 200 years ago for the British East India Co., and the British Empire, against which policy the United States fought three wars. "Free trade" for Yeutter means that nations must be prohibited--by GATT, the IMF, or other means, from taking any policy decision that the food cartel companies regard as a barrier to their freedom to trade in commodities as they choose. Yeutter describes as "trade distorting" such sovereign national policy rights as import quotas, food assistance, farm subsidies and other measures.

The Pentagon is being attacked for its relationship to private industry, but there is no case so extreme as the role of Yeutter in using his public office for serving the interests of the private, international food cartel companies, by giving them, FOR FREE, U.S. grain from the Commodities Credit Corps., under the Export Enhancement Program. Yeutter argues that this must be done in order to compete with the European Community and other food exporters. At the December, Montreal GATT meetings, Yeutter pledged that the U.S. government--the Agriculture Department, State Department, STR Office and Congress would make maximum use of the Export Enhancement Program in 1989.

Yeutter will be a disaster and a disgrace as Agriculture Secretary. In 1980, the wisdom of Senator Dole and others prevailed to prevent the nomination of Yeutter to Agriculture Secretary then, because he was clearly too tainted by his food cartel connections. Now it is worse. Yeutter himself has a cloud over his head in terms of defending his own conduct as president of the Chicago Mercantile Exchange during the time of the fraud in the trade pits, being investigated by the FBI from 1983 to 1985.

Yeutter's worst crime his role in putting the United States on record as opposing the sovereign right of a nation to even attempt to achieve food self-sufficiency for its own people if that nation so wishes.

I quote from the text of the United States' proposal to the GATT (General Agreement on Tariffs and Trade) made by Yeutter's Office of Special Trade Representative last year, which says:

"Food security and self-sufficiency are not one and the same objective or goal. Food security is the ability to acquire the food you need, when you need it.... Self-sufficiency, as distinct from food security, is no longer justified by the possibility of massive global food shortages...."

Please study the complete document, and consider Yeutter's real qualifications--his loyalty to the private food cartel interests. Meanwhile, the latest reports from our grainbelt show vast areas of moisture deficiency, and low plantings relative to food supply needs.

We require a World War Two-type mobilization of the Agriculture Department to expand food output: 1) there should be a stay on farm foreclosures, and a rescheduling of farm debt. There should be low interest production credits to maximize what our farmers can do this crop year. 2) There should be tax and other powers of state used to favor family farms, and penalize non-family farm corporate ownership of farmland. For example, the major insurance companies now own 5.2 million acres of farmland; 3) Parity

pricing for farm commodities must be established as it was during World War II; 4) The non-scientific restrictions on agriculture must be rolled-back--including the radical-environmentalist limitations on pesticides, herbicides, land improvements such as swamp-draining, etc.; 5) There should be a true food supply audit, and public review of food allocation decisions--how much for use domestically, how much for export, particularly to the Soviet Union; 6) All subsidies--such as the Export Enhancement Program--to the grain cartel companies should stop, and Congress should launch anti-trust actions against cartel operations in the meat industry, grain trade, and any other sphere of the food supply.

Clayton Yeutter's qualifications make him unfit for this job.

Mr. Chairman, I would like to append excerpts of an essay by Mr. Lyndon H. LaRouche Jr. which goes to the heart of calculating parity for the American farmer. This change in methodology is essential if we are ever to return American agriculture to a system of scientifically based production which ensures stable food supplies at stable prices.

THE NECESSITY FOR A NEW CALCULATION OF AGRICULTURAL 'PARITY'
by Lyndon H. LaRouche Jr.

"(...) the United States presently has no truly accurate measure of proper parity prices for agricultural products. Although public and private institutions have workable, accurate estimates of the standard-cost component of parity price, the calculation of the proper rate of gross profit remains a disputed point.

What is the proper rate of gross profit for the various categories of agricultural product? This is the question which remains to be settled for purposes of policy making....

How Parity Ought to Work

Agriculture cannot work merely from the planting to the harvesting, one year at a time. A farmer produces economically by undertaking a program of production for each part of his output, a program involving investments in land improvements, equipment and so forth, which must be averaged out over not less than a three-to-five year period.

Therefore, to secure economic efficiency--that is, to keep parity values as low as technology permits--farmers must commit themselves to production programs for their farms based on fair foreknowledge of the market demand in quantities and average prices for forward running periods of between three to five years, allowing for marginal year-to-year adjustments.

In other words, to bring the required parity value down to the lowest sound price, we must work to create orderly markets for agricultural products, in both domestic and foreign markets over running three to five year forward periods. Farmers can then produce according to reliably forecast demands. As long as we can buffer the excesses and shortages caused by weather and such with reasonable product inventories, the farmers can keep the food pipelines filled to any reasonably forecast food requirements at a stable average price

for this volume of product.

Let it be clear that we are not hinting at some scheme for governmental de facto "collectivization" of the American farmer. It is the ingenuity and investment-risk of the owner-operator farmer which will work within a combination of orderly marketing and sound parity values to foster new technological improvements in agriculture by the best independent farmers. The benefits of competition among farmers will be fostered in that way.

The Profit Factor in Parity

When one asks, "What should a farmer's gross profit be?" the question, stated in that form, might be answered by almost any figure picked out of the air....

However, when we think of profit as the fund available for reinvestment in expansion and improvement of agriculture, any competent economist--or farmer--immediately smells out a better way to answer the question. At what rate of gross profit can beef herds be increased a given amount, dairy herds, grain production, and so forth and so on?

In other words, to determine what the proper gross profit component of parity values ought to be, we must work backwards from the desired quantity and quality of total output for the category of agricultural product under consideration. I ask the American citizen, "How much beef do you require for your dinner table in (this and future years)?" At what parity value will the American beef-producer be able to supply that required volume?

In making this calculation, we must also take into account certain other considerations. Our objective should not be merely to increase the supply of food, but to promote technological improvements in quality and quantitative features of food production. This means increasing the capital-intensity of agriculture, which means permitting the farmer to accumulate savings adequate to make such increases in capital-intensity. These improvements in agricultural technology are key to controlling the price of food at the dinner table over the medium and long term.

Since the improvement of marginal land is more costly than maintenance of prime land, the tendency is for agricultural costs and prices to rise, unless costs are kept down by increased efficiencies of the sort which can be realized only through capial-intensive, energy-consuming forms of technological improvements. Therefore a certain rate of net profit on agricultural products is required even simply to maintain the volumes and productivity of production.

(It we, then, examine what appears to be cheap food production in other nations from this same standpoint, we immediately note the following fact. What rate of net profit do those countries require to bring their productivities up to U.S. standards over periods ranging from ten to fifty years--according to the relative backwardness of each such economy? This calculatio proves that the required amount of unit net profit for food production in those countries brings the true cost of that food production up to approximately U.S. parity values!)

It happens that there exists presently only one analytical method for considering both of these two requirments, quantity and technology, simultaneously to arrive at a reliable definite value for profit-ratios. That is the LaRouche-Riemann program of analysis....

If capitalist industries cut each others' profits near to the breakeven point or below through anarchic forms of competition, then the capitalists are so poor in terms of reinvestible profits that industry lives at the mercy of the financial parasites who control the channels of credit. Applied to agriculture, in such as system, it is not the cow which is milked so much as the farmer.

The American System, on which the achievements of this nation were based, is outlined in the laws on banking, credit, and manufactures devised by Treasury Secretary Alexander Hamilton. The American System of Washington, Monroe, Adams, and Lincoln is "protectionist," providing market protection to productive industry and agriculture to maintain prices which ensure a fair profit and fair wage for those who produce in competitive quality and quantity. It is the entrepreneur who does a bit better who prospers more, and whose investments in better technology cause a persistent trend for his lowering of prices without lowering the rate of production of reinvestible profits...."

TESTIMONY

SUBMITTED TO

THE SENATE AGRICULTURE COMMITTEE

HEARINGS

ON

THE CONFIRMATION OF THE HONORABLE CLAYTON YEUTTER

AS

SECRETARY OF AGRICULTURE

BY REVEREND MAURICE A. DAWKINS

February 3, 1989

February 3, 1989

Honorable Senator Patrick Leahy
Chairman
Agriculture Committee
United States Senate
Washington, DC

Dear Mr. Chairman:

My name is Maurice Dawkins. I am submitting, for the Record, testimony in support of the confirmation of Ambassador Clayton Yeutter as Secretary of Agriculture.

As chairman of the National Black Republican Civil Rights Task Force, I am especially pleased to see the president nominate a man with such a long and impressive track record of support for equal opportunities and equal justice under the law for all Americans.

The history of the Agriculture Department in civil rights has been quite distressing. The firm and unequivocal stand to comply with the law that marked Secretary Richard Lyng's administration brought new hope for progress and improvement.

Now, with Ambassador Yeutter, we see the possibility for a positive action-agenda in civil rights within the department. Regarding the plight of black farmers, the role of black agriculture colleges, and the rural pockets of poverty that include blacks and whites alike. We are encouraged by Mr. Yeutter's track record to expect the kind of leadership that assumes that there should be private sector partnership with federal responsibility for equal job opportunities, equity in business opportunities and an equal chance for success in rural America.

Friends who worked with him in Nebraska, in Governor Tiemann's office, recall his taking the initiative in establishing a state fair-housing policy. They report that he led the way in creating a state commission on Indian affairs to help solve the unique problem of native Americans in his state.

His cooperation with black technicians on his staff and friendship with civil rights leaders, more than twenty years ago, is a testimony of commitment, involvement, and fulfillment that indicates to me a philosophical position similar to that of Secretary Lyng.

Frankly, Mr. Chairman, I look toward the day when the members of the president's cabinet will not need to think and act as advocates for putting the ideals of racial brotherhood into public policy and institutionalizing plans for implementation of such policies.

Now, however, as the late Martin Luther King used to say, "Although we have come a long way, we still have a long, long way to go." President Bush made a strong declaration in this regard that brings hope to those who believe in the promise of America. The Republican national committee chairman has made clear his goals for outreach to minorities including African Americans, Hispanic Americans, and Asian Americans. Each agency administrator is expected to cooperate in carrying out plans made at the top of our government. That is why we are pleased to know of Ambassador Yuetter's baptism by fire in the riots of the '60's, and his sincere concern for compassionate and humanitarian attitudes in the administration of state and federal government offices. Beyond this focus on human relations, there is the hope that Abraham Lincoln's original concept of the Agriculture Department as the "people's department" can become a reality.

We highly commend Ambassador Yeutter for his consummate political skills and solid professionalism through his many years as an executive.

In times like these, his background as chairman of the Mercantile Exchange and as U.S. Trade Representative is extremely valuable considering the new European Economic Community policies, the potential for international trade wars, the competition of Japan and other global economic problems, the debate concerning food as a weapon, the pervasive danger of famine and hunger -- there is no time to waste. We need someone as Secretary of Agriculture who knows, understands and has mastered the art and the science of using political and economic power within the U.S. international policy framework.

From his days in the Carl Curtis Law Firm to his days of the Reagan-Gorbachev Summitry, his work experience seems to have been designed by destiny to prepare him for leadership on behalf of America and the free world in relation to agriculture and the global economy.

Mr. Chairman, our organizations join with countless others in urging swift confirmation of the President's choice for Secretary of Agriculture.

Sunkist® COOPERATING CITRUS GROWERS OF CALIFORNIA AND ARIZONA

February 2, 1989

The Honorable Patrick J. Leahy
Chairman
Agriculture, Nutrition and Forestry Committee
SR-328A Russell Senate Office Building
Washington, D.C. 20510

Dear Mr. Chairman:

Sunkist Growers, Inc. would like to take this opportunity to encourage the Senate to quickly confirm the nomination of Clayton K. Yeutter to the post of Secretary of Agriculture.

As you know, Sunkist is an agricultural marketing cooperative consisting of 5,700 citrus growers in Arizona and California, including 60 citrus packing houses. The member growers of Sunkist produce a vast array of citrus fruit and products. Approximately one-third of our total production is exported.

Ambassador Yeutter, an accomplished agricultural economist who has served in previous Administrations as Assistant Secretary in the Department of Agriculture and as U.S. Trade Representative, has more than demonstrated his sensitivity to the needs of U.S. agriculture. Most recently, he has led U.S. participation in the GATT Uruguay Round of international trade negotiations. In these efforts Mr. Yeutter worked to expand overseas markets for many U.S. agricultural products at a time when foreign trade barriers are proliferating.

It is our hope that the confirmation process for Mr. Yeutter will go smoothly and he will begin his tenure as Secretary of Agriculture as soon as possible.

Sincerely,

Russell Hanlin

Russell Hanlin
President
Sunkist Growers, Inc.

SUNKIST GROWERS, INC. / P.O. BOX 7858, VALLEY ANNEX, VAN NUYS, CALIFORNIA 91409 / (213) 986-4800

National
Council of
Farmer
Cooperatives

Wayne A. Boutwell
President

February 2, 1989

The Honorable Patrick J. Leahy
Chairman
Senate Committee on Agriculture,
Nutrition and Forestry
328-A Russell Senate Building
Washington, D.C. 20510

Dear Mr. Chairman:

On behalf of the National Council of Farmer Cooperatives, we would like to take this opportunity to express our strong support for the nomination of Ambassador Clayton K. Yeutter as Secretary of Agriculture.

Ambassador Yeutter's background and experience, both in the private sector and in government, make him uniquely qualified to serve as Secretary of Agriculture.

While we may not always agree on every issue, we believe he will continue to have an "open door" policy and will work closely with Congress and other interests in an effort to reach the consensus needed to address the many issues facing U.S. agriculture, particularly in the area of trade.

Again, for all these reasons, we strongly support his nomination and urge his confirmation as soon as possible.

Sincerely,

R L Hanlin

Russell Hanlin
Chairman of the Board

Wayne A. Boutwell
President

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William C. Hewins
Vice President —
International

February 3, 1989

The Honorable Patrick J. Leahy
Chairman
Agriculture, Nutrition and Forestry Committee
SR-328A Russell Senate Office Building
Washington, D.C. 20510

Dear Mr. Chairman:

On behalf of Welch's, I would like to express my strong support for the nomination of Clayton K. Yeutter to be the next Secretary of the U.S. Department of Agriculture.

Welch's, a corporation owned by a cooperative of approximately 1,500 grower-members, sells over 50 products grown on 37,000 acres of vineyards and other agricultural lands throughout the nation. Welch's had many opportunities to work closely with Ambassador Yeutter in his position as U.S. Trade Representative during the last Administration. His extensive background in both the private and public sectors will make him an excellent addition to the President's new cabinet.

We look forward to continuing our close working relationship with Ambassador Yeutter as Secretary of Agriculture. If we can provide the Senate Agriculture, Nutrition and Forestry Committee with any additional information, please let us know.

Regards,

William C. Hewins/ess

William C. Hewins

WCH/wmp
0483SS